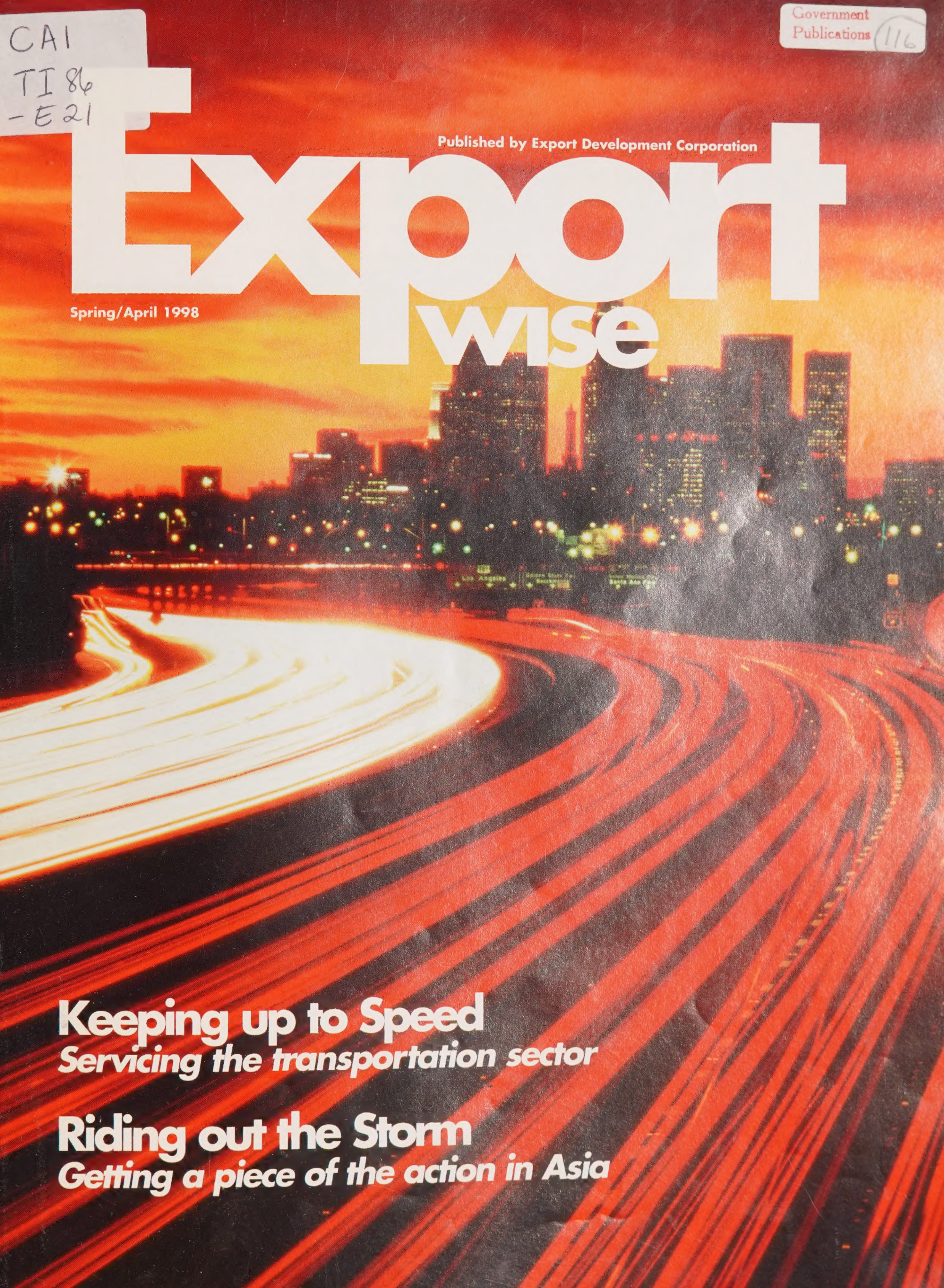
Published by Export Development Corporation

Export wise

Spring/April 1998



Keeping up to Speed
Servicing the transportation sector

Riding out the Storm
Getting a piece of the action in Asia

Export Wise

Formerly EDC TODAY

Spring/April 1998

Focus on Smaller Exporters

4
SMEs play critical role in large export contracts

5
Can you really guarantee success?

Inside Track

6
10 steps to a successful Year 2000 transition

7
Inter.net.working

8
Export credits and the environment

On the Map

9
Riding out the Storm
Getting a piece of the action in Asia

12
Asia:
EDC in for the long haul

14
Asian Markets at a Glance
Indonesia, Malaysia, the Philippines, South Korea, Thailand

17
Beyond Asia
Global economic outlook

Industry Watch

19
Keeping up to Speed
Servicing the transportation sector

22
Canadian aircraft exporter reaches new heights

23
EDC goes the distance for automotive exporters

EDC Listings

24
Lines of credit and export financing

27
Contacts

Editor Cathy Lynch

Editorial Assistant/ Desktop Design
Deborah Chapman

Creative Direction & Production
Mantle & Overall Communications

Film & Printing
The Lowe-Martin Group

Contributors
Deborah Chapman, Alan Curleigh, Ken Dunn, Todd Evans, Maria Forde, Julian Karaguesian, Chantal Lalande, Gordon Lovasz, Jim Olts, Sherri Ross, Michael Schroeter, Brenda Stewart, Judith Whitehead, Richard Whitty and Cressida Wright

Translation
Export Wise is translated into French (as **Exportateurs avertis**) under the direction of Maguy Robert, with contributions by Anne Tanguay.

Advisory Board
Andrew Douglas, Patrick Doyle, Luc Dupont, Peter Foran, Ruth Fothergill, Kevin Harris, Glen Hodgson, Michael McLean, Keith Milloy and Kurt Rufelds

Export Wise is published four times a year by EDC's Corporate Communications Department.

EDC 151 O'Connor Street
Ottawa, Canada K1A 1K3
Tel.: (613) 598-2500
Fax: (613) 237-2690
Telex: 053-4136
E-mail: export@edc4.edc.ca
Internet: http: //www.edc.ca

EDC provides a full range of trade finance services that helps Canadian exporters and investors do business in up to 200 countries, including higher-risk and emerging markets. Founded in 1944 as a Crown corporation, EDC operates as a commercial financial institution.

The editor welcomes signed letters of comment on articles that appear in **Export Wise** or on events and issues related to the Canadian export industry. Letters may be edited to meet the magazine's style and space requirements.

All dollar amounts indicated in the magazine are in Canadian dollars unless otherwise specified.

Be sure to visit EDC's Web site at http://www.edc.ca

Ce document existe également en version française.

SMEs play critical role in large export contracts

Canadian exporters involved in major capital projects frequently subcontract to small- and medium-sized exporters (SMEs), creating opportunities for a range of sub-suppliers across the country. Montreal-based Klöckner Stadler Hurter Ltd. (KSH), an engineering contracting company involved in the turnkey supply of industrial plants around the world, is one such company. Here, Alan Curleigh, Executive Vice-President for KSH, outlines how this process works.

When taking on major capital projects, KSH is prepared to make large investments in terms of financing and resources, but that does not mean we "go it alone." Drawing on available sub-suppliers strengthens not only the Canadian economy, but also our position as exporter of record.

Generally, KSH participates in major projects as a partner in an international consortium and acts as the exporter of record for the Canadian portion of the project. Once the consortium submits a project bid, it normally takes one to two years before the project contract is awarded. To win international project business requires experience, corporate strength (ours and that of our sub-suppliers), a strong understanding of the project risks involved and how best to mitigate them.

Typical examples of projects that KSH is currently working on are the Sari pulp and paper project in Iran and a fertilizer project in Pakistan with the Fauji Group. KSH's commitment on these two projects is valued at over $200 million. Almost half of this represents equipment and materials, all of which have been specified by KSH and all of which are the ultimate responsibility of KSH under its consortium arrangement. However, KSH is not an equipment manufacturer, therefore the entire equipment and materials package was sourced by KSH and purchased from Canadian companies, most of which are small- and medium-sized enterprises.

KSH does not ask its sub-suppliers to participate in the upfront cost and risk of developing and winning the projects. However, they are asked to share in the country/buyer risk associated with the execution of the projects to the extent that EDC's insurance coverage is available.

The benefits are clear. On these two projects alone, KSH placed more than 200 direct purchase orders with Canadian manufacturers for equipment and material valued at almost $100 million. Of these purchase orders, at least 80 per cent were valued at less than $500,000 and each one of the suppliers in turn placed at least five sub-orders with other Canadian companies.

In addition to the direct benefits, SMEs which provide equipment for installation and operation in Iran and Pakistan will be able to promote their own involvement in the projects. This will strengthen their position when bidding for additional orders, not only in Iran and Pakistan but elsewhere.

It is also worth noting that other engineering companies in Canada have been contracted to supply services for these projects, either by the clients or through KSH, and a number of Canadian companies are participating in the extensive training program established by KSH for new plant operating managers.

KSH's work with a number of SMEs has proven invaluable in fulfilling capital projects, as has its work with EDC. On the aforementioned projects, the role of EDC included structuring a financing package to meet the client's and the exporter's requirements and, of equal importance, providing insurance not just to the exporter of record but also directly to the vast supplier base through its sub-supplier insurance program.

EDC has a long history of working with KSH on its overseas transactions, by providing financing, credit insurance and performance guarantee insurance. The most recent project involves upwards of US$200 million in Canadian goods and services for the MUSI pulp and paper project in Indonesia.

Can you really guarantee success?

by Cressida Wright

As exporters grow, not only in size but in their need for financing solutions, many will outgrow the financing options available to them. To help, EDC has developed a range of guarantee frameworks to complement its direct lending programs and to provide another mechanism for smaller Canadian exporters to access medium-term export financing.

Guarantees are essentially an undertaking by one organization to protect another organization against a loss on deals in which they have a financial interest. EDC will guarantee an exporter's financial institution against a loss when, for example, it is financing the exporter's pre-shipment costs, financing its foreign buyer or financing its requirement to post bonds. Needless to say, when you can bring such a guarantee to your banker, you improve your chances of getting the financing you need to complete the deal.

EDC's new frameworks are risk-sharing agreements between EDC and participating financial institutions that make the whole process quicker and more streamlined. EDC will guarantee up to 75 per cent of the financing extended by banks to eligible foreign borrowers in support of Canadian exports by small- and medium-sized enterprises (SMEs).

Pre-shipment guarantees

Securing sufficient working capital needed to fund pre-shipment costs can also be an obstacle for SMEs. Now EDC has developed a risk-sharing guarantee to encourage financial institutions to advance pre-shipment loans to smaller exporters, whereby EDC provides additional security.

Geared primarily for knowledge-based businesses, the Pre-Shipment Guarantee Program for smaller exporters covers 50 per cent of the loan made by the bank to the exporter to fund pre-shipment costs. The terms of these loans are linked to delivery terms under the commercial contracts.

The first such program was CIBC-Grow Export, which provided some $2.2 million in pre-shipment financing on seven deals in 1997. SME advisor Keith Steacy says, "the pilot showed that this type of program can be an effective niche market product that provides quick results for the exporter, with minimal administrative work. It's worked very well for knowledge-based business," adds Steacy, "and we're now comfortable in rolling it out to exporters in other sectors when it looks like there's a good fit."

Guarantee framework

The Smaller Exporters Guarantee Framework caters to exporters in all sectors whose export sales are less than $10 million. This program is for the exporter whose buyer is demanding financing (i.e., repayment terms) of longer than one year. Here, the exporter's bank — not EDC — is providing the financing required to get the deal done.

Under the agreement, the financial institution, partially guaranteed by EDC, will lend funds to sovereign, quasi-sovereign or foreign bank counterparties in a foreign market. The funds support the purchase of goods and services of a smaller Canadian exporter and the loan amount can be for up to 85 per cent of the value of the exports.

"EDC guarantees mean that we have the cash flow to build the product, complete the project and ship to the customer," says John Mephaм, CFO, Roadware Corporation Inc. of Paris, Ontario. Mepham explains that having EDC behind a project provides comfort when putting larger bids into foreign markets. He adds, "We can take on more contracts, attract new customers and expand our business."

There probably is no guarantee of success in international markets, but through the risk management and export financing solutions provided by EDC, SMEs can minimize their risk.

For more information on EDC and the types of guarantee frameworks available, please contact Keith Steacy, Advisor, SME Financial Services Group at (613) 598-6645 or 1-888-332-4423.

10 Steps to a successful Year 2000 transition

by Gord Lovasz

Year 2000 issues are increasingly in the news, and rapidly becoming an imminent reality. Whether you are at the information-gathering stage or are already tackling the problem, this checklist is designed to help with your own Year 2000 project.

1. Obtain unqualified CEO support.

Year 2000 project efforts are likely to have a significant impact on your business strategy and resources. If you do not have senior executive backing, the project may not be adequately funded, staffed or even taken seriously.

2. Get every member of your staff onside.

It is essential to make all staff aware of the goals of the Year 2000 project, and the company's commitment to those goals. Business unit managers must ensure that business systems are made compliant. Otherwise, data processing problems may cause the failure of their business process.

3. Appoint a leader of the Year 2000 project.

To expedite the process, appoint a Year 2000 project manager who is empowered to make difficult business decisions and has access to senior decision makers.

4. Conduct an in-depth assessment of your current situation.

Begin by compiling a comprehensive inventory of date-sensitive information technology (IT) and facilities assets. This inventory should include manufacturing and business systems, computer hardware (mainframes and PCs), date-sensitive communications and facilities systems; also, fax machines, mailing devices and office equipment that may be equipped with an "embedded system" in the form of an electronic micro-chip, for these could be affected. Assess the year-2000 compliance of these assets as soon as possible.

5. Ensure all new systems are Year 2000 compliant.

Revisit your contracting, purchasing and internal system development policies to ensure that all future acquisition or development of systems is Year 2000 compliant.

6. Prioritize your actions.

Due to the short time remaining, it may be necessary to prioritize remediation efforts. Get business unit managers involved in the early stages to assist in the identification of mission critical systems that could affect business operations by causing interruptions (e.g., manufacturing, accounts receivable) or incorrect results (e.g., interest calculations, repayment schedules). Once critical systems have been identified, pursue conversion options. This may involve repair, replacement, rebuilding or retirement of the application system or hardware. Year 2000 conversions pose unfamiliar challenges and will likely involve "learning by doing."

7. Line up funding.

Your Year 2000 conversion effort may consume at least one-third of your firm's IT budget. Resources may have to be diverted from other business initiatives, particularly since unexpected problems can significantly increase effort and cost.

8. Get your business partners onside.

You are only as successful as the weakest link, so it is important to ensure that business partners with whom you exchange electronic data are part of your conversion efforts.

9. Hire and keep qualified Year 2000 project staff.

There is increasing local and international competition for Year 2000 practitioners. Improved flexibility in corporate compensation policies and practices must be created in order to retain and replace key Year 2000 professionals.

10. Ensure that you have adequate resources, time and off-site facilities for testing.

Testing for Year 2000 compliance may represent as much as 50 per cent of your efforts, and may require external Year 2000 solution providers (e.g., consultants, conversion services) — the sooner you line them up the better.

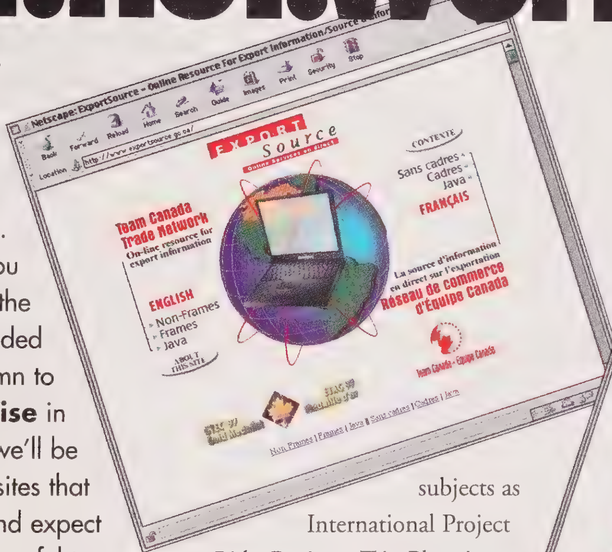
Gord Lovasz is EDC's Year 2000 Project Manager.

inter.net.working

by Michael Schroeter

Trying to find good information on the Internet can be frustrating. To help you navigate through the Web, we've added this column to **Export Wise** in which we'll be highlighting sites that we find useful, and expect you may find useful too. This issue we've featured Export Source and Trade Show Central.

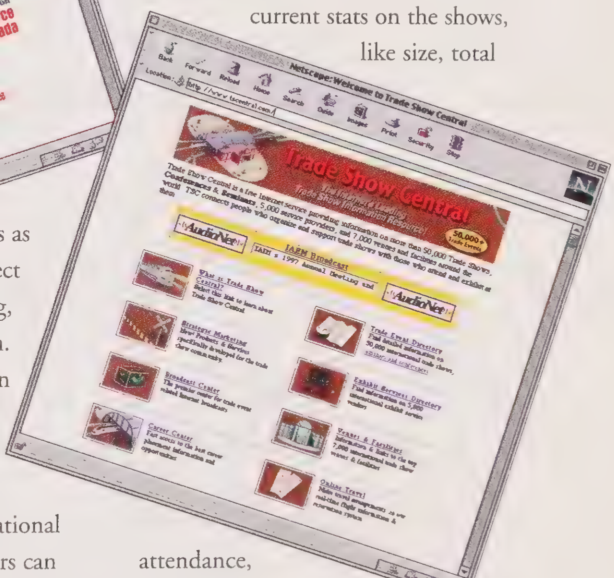
These sites and many others designed to help exporters are listed on the EDC Web site (www.edc.ca). Watch for additional site reviews in our next issue.



Export Source
(www.exportsource.gc.ca)
is Team Canada's Trade Network, and is made up of export-related information and links to other trade-related Web sites. It is designed to help provide small- to medium-sized companies with a complete source of export information. Export Guides available on the site cover such subjects as International Project Bids, Business Trip Planning, and Trade Show Preparation. Users can browse sections on Financing, International Markets, and Export Contacts for links to other useful Canadian and international Web sites. What's more, users can search multiple government sites simultaneously and view their results in Export Source, saving them the trouble of having to visit several different sites to find information.

Trying to decide which trade shows or conferences to attend this year?

Trade Show Central
(www.tscentral.com)
contains a searchable database of more than 50,000 trade shows, conferences and seminars, 5,000 service providers, and 7,000 venues and facilities around the world. Users can search for information against a number of criteria including country, city, date and industry. The database gives users current stats on the shows, like size, total attendance, foreign attendance, number of exhibitors, and so on. Trade Show Central also has links to related service providers — such as travel agents, advertising and display suppliers, and business information vendors — that complement the other event information it provides.



Michael Schroeter manages EDC's Web site.

Export credits and the environment

by Richard Whitty

While public interest in the global environment tends to focus on such issues as climate change and depletion of the ozone layer, the environment is also a subject under multilateral discussion among EDC and other export credit agencies.

For EDC, the environment has been, and will continue to be, an important issue. In addition to encouraging discussion among our OECD counterparts, our plans for 1998 include formalizing and, where appropriate, strengthening our existing environmental review practices, as well as looking at ways to further encourage the export of Canadian environmental goods and services.

We are working to broaden and deepen our understanding of this increasingly important industry, and to communicate to the Canadian exporting community how EDC considers environmental risk in its overall risk assessment process.

A multilateral solution is the most effective way to strengthen international environmental standards while maintaining a level playing field.

The multilateral context

Discussion of the environment is ongoing among export credit agencies at the OECD Export Credit Group. The issue gained new impetus as a result of the 1997 Denver Summit during which leaders of the seven major industrial countries, plus Russia, released a communiqué stating that:

"Governments should help promote sustainable practices by taking environmental factors into account when providing financing support for investment in infrastructure and equipment. We attach importance to the work on this in the OECD, and will review progress at our meeting next year."

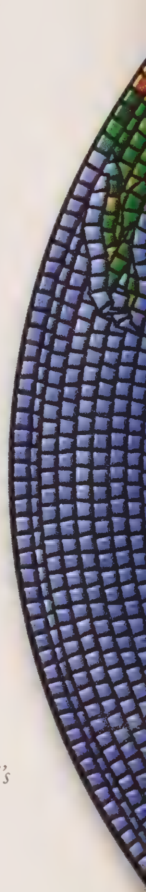
For EDC, consideration of environmental risk is already a fundamental component of our overall risk assessment process. Our engineering services group is responsible for assessing technical and commercial risks, including environmental risks, that may be associated with transactions we support. By comparison, many of our OECD counterparts have yet to develop the capacity to undertake environmental reviews.

EDC believes that a multilateral solution is the most effective way to strengthen international environmental standards while maintaining a level playing field for all exporters. We also believe that it is important to balance the desire to encourage concern for the environmental impact of projects in foreign jurisdictions with the need to respect host country sovereignty.

While a formal agreement has yet to be achieved, OECD members have agreed to participate in a series of information exchanges designed to facilitate environmental co-operation among competing export credit agencies on specific projects for which export credit support has been requested. Response to the five information exchanges undertaken in 1997 was generally positive, with more planned for 1998.

As we move forward with these initiatives, it is clear that concern for the global environment will continue to prompt change and provide new opportunities for Canadian exporters and EDC well into the next century.

Richard Whitty is an Officer in EDC's Government Relations and Corporate Policy department.



Riding out the Storm

Getting a piece of the action in Asia

by Todd Evans

Awareness of Asia as a potential market has risen to new heights among Canadian exporters, particularly following 1997, Canada's year of Asia Pacific. But, for many, the desire to tap into this potential is tempered by the current economic situation in the region.

Canadian exporters will undoubtedly feel the impact of the Asian financial crisis both directly and indirectly. The direct effect will be a drop in exports to East Asia as demand weakens. The International Monetary Fund has estimated that imports into the Association of South East Asian Nations (ASEAN) will decline by 20 per cent in 1998 as a result of the currency devaluations. Also, indirect effects will involve a weakening in commodity prices as well as increased competition from low-priced East Asian exporters. In addition to a devaluation-induced price advantage, East Asia (including South Korea) has a glut of production

capacity in electronics, automobiles, consumer goods, chemicals, steel and textiles due to high levels of investment in recent years. As cheaper Asian products seek buyers, Canadian producers may lose some of their competitive edge, even in the United States. For example, Asian automobiles and parts pouring into the United States could pose problems for the Canadian auto sector by crowding out Canadian produced autos.

> **Falling commodity prices may translate into lower receipts for Canadian exporters no matter where they ship their goods.**

In other words, not only will exporters sell fewer goods in East Asia, but also falling commodity prices may translate into lower receipts for Canadian exporters no matter where they ship their goods — commodity prices are down everywhere, not just in Asia.

However, there is also potential for positive impact. Falling commodity prices should result in downward pressure on the Canadian dollar, which could help Canadian exports in non-Asian markets — principally Europe and the United States — by countering some of the price advantage gained by Asian exporters.

Background on the Asian financial crisis

The crisis occurred last year, when a number of factors came together to force a collapse in major East Asian currencies and stockmarkets — particularly in South Korea, Indonesia, Thailand, Malaysia and the Philippines.

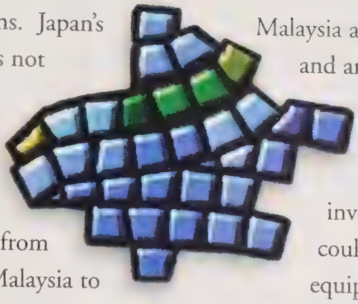
Historically, many Southeast Asian nations pegged their currency to the U.S. dollar. Prior to spring 1995, the dollar was weak and East Asian nations with currencies closely linked to the dollar enjoyed a surge in their competitiveness. This triggered rapid growth which in turn stimulated huge capital flows and current account deficits. If the exchange rate had been floating, such capital inflows would have forced up the currency. However, under the fixed exchange rate, these flows helped create inflationary excess demand by keeping interest rates low, which in turn stimulated loose credit conditions and excess borrowing, especially for real estate.

When the U.S. dollar began to appreciate after spring 1995, exports from Southeast Asian countries became less competitive and export growth slowed. At the same time, the region had large and growing current account deficits, high levels of private short-term external debt, and a shaky banking sector with a large portfolio of non-performing loans, particularly in the property sector. Forced off their fixed exchange rates, currencies in the region have subsequently plummeted against the U.S. dollar. Dollar purchases by corporations attempting to cover their large dollar debts continue to put downward pressure on currencies, further increasing debt servicing costs.

As the situation worsened in Southeast Asia, the spillover into South Korea's highly leveraged economy was inevitable. For some countries the situation continues to deteriorate, especially since real asset prices such as capital and land continue to fall. There is also growing pressure on China to devalue its currency in order to remain competitive with its neighbours, although China's heavily indebted state enterprises would suffer from such a move.

The region is experiencing serious economic difficulties brought on by a collapse in investor confidence and troubles in the financial sector. Although these problems have heightened the region's liquidity crunch, many analysts expect to see some improvement in 1999. In any case, the damage has been done and economic growth throughout the region will weaken substantially over the next couple of years, with a good chance of economic decline in Thailand, Indonesia and South Korea during 1998.

Higher inflation and rising layoffs also heighten the prospects for political instability and social unrest, making it harder for governments to follow through with IMF-backed



recovery programs. Japan's weak economy is not helping matters. Japan absorbs a large share of the region's exports, ranging from 15 per cent for Malaysia to 27 per cent for Indonesia. With declining regional demand, already pinched companies face an increasingly competitive and uncertain environment as the afflicted countries seek to recover lost growth.

Canadian exporters feeling the effects

Canadian exports to the five nations most affected by the economic crisis (South Korea, Indonesia, Thailand, Malaysia and the Philippines) amounted to about $5.1 billion in 1997, or almost two per cent of total Canadian exports. Of these five countries, South Korea is by far Canada's largest trading partner, accounting for 58 per cent of the $5.1 billion total. Canadian exports to these countries consist primarily of capital goods (mostly machinery and equipment), pulp and paper, base metals, chemicals and agri-food products (largely wheat, other grains and oilseeds).

Base metals such as iron, steel, copper and nickel make up about 10 per cent of exports to the five countries. Capital goods account for about 25 to 30 per cent of shipments to Indonesia, Thailand, Malaysia and the Philippines, and around 12 per cent to South Korea. Project cancellations and declining capital investment in East Asia could undermine Canadian equipment sales in the region this year. Petroleum accounts for a significant share of Canadian exports to South Korea. The share for pulp and paper exports ranges from eight per cent in the Philippines to 20 per cent in Malaysia. This does not bode well for Canadian pulp and paper companies already dealing with a downturn in the Japanese market. Canadian companies exporting these goods to East Asia are likely to experience declining sales in 1998 as markets weaken, prices fall and competition in the region intensifies.

Canadian exporters may find it increasingly difficult to collect payment and may have to negotiate some rescheduling of payments and perhaps devise even more innovative financing programs. Planning day-to-day business operations in a volatile exchange rate environment becomes complicated. In particular, highly unpredictable exchange rate movements make it difficult to assess and structure loan and payment schedules. In short, many Canadian exporters will have to adjust their business plans to reflect the reality of the current economic situation in Asia.

Todd Evans is an EDC Economist specializing in international trade as well as market and economic analysis.

by Julian Karaguesian

The Asia Pacific region is a significant market for many Canadian exporters despite the current financial situation. While the volatility in this region poses challenges that create cause for concern, it is simultaneously generating potential opportunities.

ASIA
EDC in for the long haul

EDC is committed to maintaining a meaningful long-term presence in Asia, and is expecting to see improvement in the region by early 1999.

EDC views the currency and economic crises in Asia as crises of investor confidence which should not result in a sustained slowdown in economic growth and investment opportunities. Indeed, the potential for further productivity and economic growth is immense.

As a result, the scope for further public- and private-sector investment in physical and telecommunications infrastructure is similarly large. Governments in the region recognize that sustained growth requires continuing investment in infrastructure and services. For example, the Asian Development Bank (ADB) forecasts that Asia will have 20 cities with a population of more than 10 million by the year 2025, with a total urban population of some 2.5 billion. To sustain productivity and a continued rise in living standards, the ADB expects that more than US$40 billion per year will be required to finance infrastructure development.

Although international capital markets remain very cautious about Asia's short- to medium-term prospects, many foreign companies and banks have already started their re-investment strategies. Large currency devaluations, weak domestic banking sectors and the slowdown in capital inflows have created numerous opportunities for companies and banks with excess liquidity. Japanese and U.S. banks have purchased stakes in Thai banks, and U.S. and European banks are showing interest in Korea as regulations governing foreign ownership have been liberalized significantly.

At the same time, however, a resumption of rapid economic growth and import demand in Asia will not occur automatically and depends on the strength of the policy response in each country. Consequently, EDC recommends a selective financing, marketing and investment strategy, rather than a blanket strategy for the entire region. It is clear that the current economic and financial conditions will pose significant financing and selling challenges, and increased risk of non-payment. However, these problems need not be insurmountable. Certain countries may have already "turned the corner" and be on the way to recovery.

While **Korea** may be on the mend, the credit risks remain high as a result of the devaluation, tight credit and higher interest rates. Bankruptcy rates are at record levels, and one private think tank predicted in January that nearly one-sixth of South Korea's publicly traded companies will go under in 1998.

Financial support provided by the International Monetary Fund and G-7 countries, together with debt restructuring by foreign banks, has put Korea's balance of payments position on a sounder footing. The government is pressing ahead with comprehensive financial and corporate sector reforms and has pledged to deepen the reform program. Successful reform and economic recovery will require, however, a broad political consensus among the government, unions and corporate sector. Crucial to this consensus is the government's plan to overhaul the social safety net in view of an expected sharp rise in unemployment.

The **Philippines** have thus far managed to avoid an abrupt decline in investor confidence, as fundamentals have strengthened in

recent years following comprehensive market-based reforms supported by a series of IMF adjustment programs.

Malaysia has also managed to avoid a full-fledged crisis thus far. Although the sharp depreciation of the *ringgit* has hurt the corporate and banking sectors, Malaysia's fundamentals are relatively strong. The share of short-term debt in total debt is only 21 per cent and the central bank has comfortable reserves. However, despite the absence of a crisis, continued rapid growth in Malaysia will depend on the government's resolve to press ahead with economic reforms, particularly more effective regulation and supervision of the banking sector.

Although the new government in **Thailand** has made encouraging progress with key economic reforms, the underlying political support for reform remains fragile and investor confidence in the *baht* therefore remains weak.

Our main concern in the emerging markets of Asia now centres on **Indonesia**, where the economic situation continues to deteriorate. The government has made slow progress on the implementation of key structural reforms in the banking and corporate sectors. Adjustments to the (initially unrealistic) budget for 1998 and the IMF program boosted the *rupiah* and stock market, but this was short-lived as confidence in the ability of the Suharto regime to follow through on comprehensive reforms continues to weaken.

Capital flight and pervasive illiquidity, as well as increasing insolvency in the corporate sector, are forcing many foreign creditors to turn over debts or face a default. Although the government is beginning to address the country's far-reaching problems, under pressure from the IMF, progress will be difficult owing to rising political uncertainty and social tensions. The key risk here is not only the potential for a debt crisis in Indonesia, but also for renewed contagion throughout Asia, as recent events in Asian financial markets demonstrate. EDC will continue to monitor the situation closely.

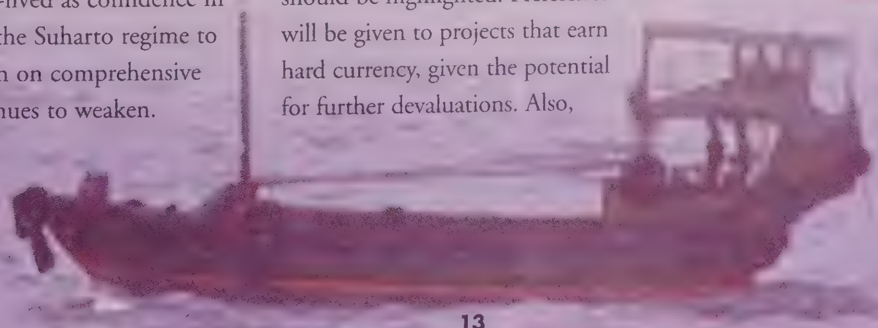
Notwithstanding a willingness to develop its Asia Pacific business, EDC approaches each transaction with a view to determining the underlying commercial viability of the project. The current crisis in Asia poses significant threats to the feasibility of many projects. As a result, many businesses will need to adjust their plans, and proceed with caution.

However, several favourable project-related characteristics should be highlighted. Preference will be given to projects that earn hard currency, given the potential for further devaluations. Also, transactions that have a debt maturity profile with a longer time horizon, minimizing re-financing risk, would be more attractive given the current liquidity problems.

EDC will do what it takes to help exporters maintain a presence in Asia, and welcomes the prospect of investigating potential lending situations that may involve more difficult credits or require innovative solutions in order to maximize export success. We're in this market for the long haul.

EDC is committed to maintaining a meaningful long-term presence in Asia, and is expecting to see improvement in the region by early 1999.

Julian Karaguesian is an EDC Economist specializing in country assessment.



Asian Markets at a Glance

Indonesia at a glance

Population: 200 million
GDP per capita:
US$1,130 (mid-1997)*
GDP growth:
1-3 per cent (1998 IMF forecast)
Inflation:
15 - 20 per cent (1998 IMF forecast)
Canadian exports: $625 million
Canada's market share: 1 per cent
Current account balance:
US$-4.9 billion (1998 IMF target)
Reserves (months of imports): 5.0

* Current GDP per capita is substantially lower owing to sharp decline in the value of the *rupiah* since July 1997. However, estimates are difficult because of continued large changes in the exchange rate.

EDC's position:

Short term – Open on a case-by-case basis.
Medium/long term – Open. Caution advised. Subject to EDC's credit assessment of Indonesian parties.
Foreign Investment Insurance – Case-by-case.

Canadian opportunities:

Power, telecommunications, pulp and paper, environmental technology.

Who to contact:

Canada-Indonesia Business Council
Mr. Peter Dawes
Tel.: (416) 366-8490
Fax: (416) 947-1534

Canadian Embassy in the Republic of Indonesia
Ms. Marta Moszczenska
Counsellor (Commercial) and Consel
Tel.: (011-62-21) 525-0709
Fax: (011-62-21) 571-2251

CIDA (INC)
Mr. Jean-René Beaulieu
Program Manager
Tel.: (819) 997-0565
Fax: (819) 953-5024

DFAIT
Ms. Kathryn Burkell
Trade Commissioner
Tel.: (613) 992-0959
Fax: (613) 944-1604

EDC
You may reach your applicable business team contact via the EDC regional office nearest you (see listing, inside back cover) or by contacting an EDC Regional Manager for Indonesia: Robert Simmons, tel.: (613) 598-3022 or Mark Bolger (613) 598-2508.

Indonesia-Canada Chamber of Commerce
Mr. Sutara
Chairman
Tel.: (011-62-21) 310-6407 (Jakarta)
Fax: (011-62-21) 390-8863

Export news

A Supplement to **Export Wise**

EDC strengthens relationships with key Chinese financial institutions

On hand for the November 1997 signing of an MOU between EDC and the State Development Bank of China were (L to R): Marvin Hough (EDC), Wang Gefan (SDB), Eric Siegel (EDC) and Yang Xinliang (SDB).

by Marvin Hough

The China market continues to offer Canadian exporters enormous potential for business. EDC is experiencing an increasing pipeline of activity with this market, and continues to look for ways to smooth the path for exporters, large and small.

Recent measures taken by EDC include the signing of three Memoranda of Understanding (MOUs) with key financial institutions in China to further enhance EDC's strong relationships with Chinese banks, as well as the appointment of Anne Whetham as EDC's on-site representative in China. (See page one of the *"ExportWise"* insert, Winter/January 1998 issue of *EDC Today*, for Anne Whetham's appointment notice.)

EDC has enjoyed a long and successful history of cooperation with the Chinese banks, as evidenced by its credit facilities with the Bank of China, China Construction Bank and the Bank of Communications, as well as by major loans established with the State Development Bank of China (SDB) for infrastructure projects in the power sector during 1997.

...continued on page 2

EDC works closely with the following Chinese banks on transactions involving medium- and long-term credit:

- Bank of China
- Bank of Communications
- China Construction Bank
- China International Trust and Investment Corp.
- Export-Import Bank of China
- Guangdong International Trust and Investment Corp.
- Industrial and Commercial Bank of China
- Shanghai International Trust and Investment Corp.
- State Development Bank of China

Other Chinese banks will be considered on a case-by-case basis.

EDC works closely with the following Chinese banks on transactions involving short-term credit:

- Bank of China
- Bank of Communications
- China Construction Bank
- China International Trust and Investment Corp.
- Export-Import Bank of China
- Guangdong International Trust and Investment Corp.
- Industrial and Commercial Bank of China
- Shanghai International Trust and Investment Corp.
- State Development Bank of China
- Agricultural Bank of China
- China & South Sea Bank Ltd.
- China Investment Bank
- China Merchants Bank
- China State Bank Ltd.
- Fujian Industrial Bank
- Kincheng Banking Corp.
- Kwangtung Provincial Bank
- National Commercial Bank Limited
- Shenzhen Development Bank Ltd.

Other Chinese banks will be considered on a case-by-case basis.

Relationships in China

...continued from page 1

In the face of major reforms within the Chinese financial sector, EDC continues to look for ways to expand its relationships with important Chinese financial institutions to more effectively support exporters in the evolving China market. Last year alone, EDC representatives undertook two extended (eight-week) market visits intended to solidify and expand relationships with key existing and potential Chinese borrowers.

Toward the end of 1997, MOUs were signed with key financial institutions to facilitate joint support for projects and promote information and training exchanges. For example, the MOU with the Industrial and Commercial Bank of China (ICBC) will smooth the way for joint EDC/ICBC support for projects in a wide range of sectors; the MOU with the Export-Import Bank of China will encourage collaboration on projects involving Chinese and Canadian suppliers in third countries; and a recently signed MOU with the SDB solidifies an existing relationship, promoting future collaboration on infrastructure projects.

EDC is now positioned to work with various financial institutions, including policy banks, specialized commercial banks and international trust and investment corporations, under our financing and insurance programs (see sidebar on page 1). For more information, contact Marvin Hough at (613) 598-2895.

Marvin Hough is EDC's Regional Manager for China, in the International Markets department.

The November 1997 MOU between EDC and the Industrial and Commercial Bank of China was signed by (seated L to R): Eric Siegel, Executive Vice-President, Medium- and Long-Term Financial Services (EDC) and Zhang Jianguo, Deputy General Manager, International Department (ICBC).

The November 1997 MOU between EDC and the Export-Import Bank of China was signed by (L to R, shaking hands): Eric Siegel, Executive Vice-President, Medium- and Long-Term Financial Services (EDC) and Zhao Wenzhang, Executive Vice-President (China Eximbank).

Lavelle New EDC Chairman

Export Development Corporation (EDC) is pleased to announce the appointment of Patrick J. Lavelle as Chairman and Director of EDC. Mr. Lavelle brings to EDC an extensive background in both business and government, and a thorough understanding of the needs of Canada's business and exporting community.

Most recently, Mr. Lavelle was Chairman of the Business Development Bank of Canada, a position he held from 1994 until December 1997. From 1991 to 1995, Mr. Lavelle was Chairman and CEO of the Canadian Council for Aboriginal Business. He also served as Vice-President, Corporate Development, at Magna International Inc. from 1988 to 1991, where he focused his attention on international trade issues, particularly in the Pacific Rim.

Prior to 1988, Mr. Lavelle served as Deputy Minister of Industry, Trade and Technology for the Province of Ontario, and for 10 years was President of the Automotive Parts Manufacturers' Association of Canada. He was also Ontario's Agent General in Paris from 1980 to 1981.

Mr. Lavelle heads his own strategic management consulting firm and serves on a number of corporate boards in Canada and the United States. He is a member of the Advisory Committee of the International MBA program at York University, and Chairman of the Bay of Spirits Gallery in Toronto.

Investing in tomorrow's exporters

by Sherri Ross

EDC has long supported young Canadians interested in international business, through activities on college and university campuses (in and outside the classroom), and by hiring students through a number of programs. Building on past and present efforts, EDC has now developed its "Education and Youth Employment (EYE) Strategy."

The EYE strategy will help create linkages between EDC, young Canadians and export-ready businesses through employment and education efforts. In essence, EDC aims to foster a trading culture in Canada. While exports accounted for 43 per cent of Canada's GDP in 1997, currently less than 10 per cent of Canadian companies are active exporters.

To strengthen Canada's global position and ensure our continuing success in the international marketplace, EDC believes it is essential for young Canadians in particular to appreciate how much our national well-being depends on international commerce. To do its part, EDC will actively promote a positive attitude toward international business. This will include sponsoring and participating in events and programs aimed at increasing export-related career opportunities among Canadian university and college students, and at building international business knowledge among both students and Canadian export-ready companies.

It's true these education efforts are not entirely altruistic – among other things, we hope to increase awareness of EDC. However, our key objective is to build a greater understanding of exporting and international finance among students, and their university and college deans and professors, by building relevant international business information into the curriculum throughout the school year. We may also sponsor academic research that examines EDC's business environment.

EDC's youth employment initiatives are intended to reach young Canadians at the earliest stages of career development. Those interested in export-related careers will be offered the opportunity to gain hands-on experience and to put classroom theory into practice through a number of employment-related initiatives.

For example, EDC recently became a major sponsor of AIESEC — a student organization that develops leadership, management skills and an awareness of global issues in university students. In addition to organizing events on campus, AIESEC sponsors international student exchanges to give participants an opportunity to work in a foreign business environment and broaden their understanding of international business.

These and other initiatives are now part of EDC's EYE strategy, our investment in the exporters of tomorrow.

Claims Paid

January 1, 1997 - December 31, 1997

Companies
475

Claims
1,416

Cdn $ Total
$42,514,123

Export Markets	Count
Africa & Middle East	11
Asia & Pacific	17
Europe	110
South America	33
U.S.A. & Caribbean	1,245

Risks	Count
Default	1,006
Insolvency	367
Call of Bond	10
Repudiation	29
Political and Transfer	0
Termination of Contract	3
Import Permits	1

Payments	Count
Under $5,000	770
Between $5,001 and $100,000	569
Between $100,001 and $1 million	74
Over $1 million	3

Upcoming EDC Workshops

Tuesday, March 31	Winnipeg
Wednesday, April 1	Calgary
Thursday, April 2	Edmonton
Friday, April 3	Saskatoon
Monday, April 6	Kelowna
Wednesday, April 8	Vancouver
Thursday, April 16	London
Thursday, April 23	Toronto
Tuesday, May 5	Montreal
Wednesday, May 6	Quebec
Tuesday, May 12	Moncton
Wednesday, May 13	Halifax

Watch for EDC at these upcoming events:

Event	Date	Location
Widman's Conferences	Spring 1998	Vancouver, BC
Panamerican Surety Association (PASA)	Spring 1998	Vancouver, BC
International Home Furnishings Market	April 23 - May 1	High Point, US
North American Fur & Fashion Exposition	April 29 - May 2	Montreal, QC
Co-Enterprises 1998	April 30 - May 1	Quebec, QC
Technibois 1998	April 30 - May 2	Quebec, QC
CIM-Tradex '98	May 3 - 7	Montreal, QC
Plast-Ex '98.	May 12 - 14	Toronto, ON
AMBSQ	May 13 - 15	Quebec, QC
Canadian Advanced Tech. Assoc. (CATA)	June 2 - 4	Ottawa, ON
Subcon	June 9	Hull, QC
National Petroleum Show	June 9 - 11	Calgary, AB
CanGlass — Canada's Glass and Metal Showcase	June 12 - 13	Toronto, ON
Western Canada Farm Progress Show	June 17 - 20	Regina, SK
Magic International/WWS Magic	Aug. 31 - Sept. 3	Las Vegas, US
Canadian National Millers Association Conference	Fall 1998	Montebello, QC
Canadian Wood Council	Fall 1998	TBA
Hardwood Lumber Manufacturer	Fall 1998	TBA
San Francisco Seafood Show	Fall 1998	San Francisco, US
Widman's Conferences	Fall 1998	Montreal, QC
Farnbourough International Air Show	September 7 - 13	Farnborough, US
Polyurethanes EXPO	September 18 - 19	Dallas, US
Softworld '98	September 20 - 23	St. John's, NFLD
Aerospace Industry Assoc. of Canada (annual general meeting)	September 27 - 29	Ottawa, ON
Canada-Russia Financial Forum	October 1998	Montreal, QC
Canadian Manufacturing Week	October 20 - 22	Toronto, ON
NetCon '98 (Networking and Connectivity)	November 11 - 12	Toronto, ON
Windoor '98	November 18 - 20	Toronto, ON

The Philippines at a glance

Population: 71.88 million
GDP per capita:
US$1,100 (1996)*
GDP growth:
3 per cent (1998 IMF forecast)
Inflation:
6.1 per cent (1998 IMF forecast)
Canadian exports: $183 million
Canada's market share: 0.8 per cent
Current account balance:
US$-3.6 billion (1998 IMF forecast)
Reserves (months of imports):
2.4 (1998 IMF target)

* Current GDP per capita is substantially lower owing to sharp decline in the value of the *peso* since July 1997.

EDC's position:

Short term – Open on a case-by-case basis.
Medium/long term – Open. Caution advised.
Foreign Investment Insurance – Case-by-case.

Canadian opportunities:

Telecommunications, power, machinery, mining.

Who to contact:

Canadian Embassy in the Republic of the Philippines
Ms. Judy St. George
Counsellor (Commercial) and Senior Trade Commissioner
Tel.: (011-63-2) 867-0001
Fax: (011-63-2) 810-1699

CIDA (INC)

Mr. David Keithlin
Program Manager
Tel.: (819) 997-0568
Fax: (819) 953-5024

DFAIT

Mr. Khawar Nasim
Trade Commissioner
Tel.: (613) 995-7659
Fax: (613) 944-1604

EDC

You may reach your applicable business team contact via the EDC regional office nearest you (see listing, inside back cover) or by contacting an EDC Regional Manager for the Philippines: Robert Simmons, tel.: (613) 598-3022 or Mark Bolger (613) 598-2508.

South Korea at a glance

Population: 45.2 million
GDP per capita:
US$10,725 (mid-1997)*
GDP growth:
1.5 per cent (1998 IMF forecast)
Inflation:
8.5 per cent (1998 IMF forecast)
Canadian exports: $2.7 billion
Canada's market share: 1.5 per cent
Current account balance:
US$3 billion (1998 IMF forecast)
Reserves (months of imports):
2.5 (1998 IMF target)

* Current GDP per capita is substantially lower owing to sharp decline in the value of the *won* since July 1997. However, estimates are difficult because of continued changes in the exchange rate.

EDC's position:

Short term – Open on a case-by-case basis.
Medium/long term – Open. Subject to EDC's credit assessment of Korean parties.
Foreign Investment Insurance – Case-by-case.

Canadian opportunities:

Infrastructure including transportation, industrial machinery, commodities, process-improvement technology, raw materials.

Who to contact:

Canadian Embassy in the Republic of Korea
Mr. David Collins
Minister-Counsellor (Commercial)
Tel.: (011-82-2) 753-2603
Fax: (011-82-2) 755-0686

DFAIT

Mr. John Mundy
Director
Tel.: (613) 995-1186
Fax: (613) 996-1248

EDC

You may reach your applicable business team contact via the EDC regional office nearest you (see listing, inside back cover) or by contacting an EDC Regional Manager for South Korea: Mark Bolger, tel.: (613) 598-2508 or Robert Simmons (613) 598-3022.

Thailand at a glance

Population: 60 million (1994)
GDP per capita:
US$2,550 (1996)*
GDP growth: -2 to 0 per cent
(1998 IMF forecast)
Inflation:
6 to 8 per cent (1998 IMF forecast)
Canadian exports (1994):
$397 million
Canada's market share: 0.5 per cent
Current account balance:
US$-5.3 billion (1998 IMF forecast)
Reserves (months of imports):
4.4 (1998 IMF target)

* Current GDP per capita is substantially lower owing to sharp decline in the value of the *baht* since July 1997. However, given ongoing currency volatility, estimates are difficult.

EDC's position:
Short term – Open on a case-by-case basis.
Medium/long term – Open. Caution advised. Subject to EDC's credit assessment of Thai parties.
Foreign Investment Insurance – Case-by-case. Open subject to project restrictions.

Canadian opportunities:
Power, telecommunications, pulp and paper.

Who to contact:
Canadian Embassy in Thailand
Mr. Ken Lewis
Senior Trade Commissioner
Tel.: (011-66-2) 237-4126
Fax: (011-66-2) 236-6463

CIDA (INC)
Mr. Denis Provost
Program Manager
Tel.: (819) 997-0562
Fax: (819) 953-5024

DFAIT
Mr. Doug Paterson
Trade Commissioner
Tel.: (613) 995-7662
Fax: (613) 944-1604

EDC
You may reach your applicable business team contact via the EDC regional office nearest you (see listing, inside back cover) or by contacting an EDC Regional Manager for Thailand: Robert Simmons, tel.: (613) 598-3022 or Mark Bolger (613) 598-2508.

Malaysia at a glance

Population: 20.6 million (1996)
GDP per capita:
US$4,545 (mid-1997)
GDP growth: 4.5 per cent
(1998 private sector forecast)
Inflation: 5 per cent (1998 forecast)
Canadian exports: $499 million
Canada's market share: 0.5 per cent
Current account balance:
US$-3.5 billion (1998 forecast)
Reserves (months of imports): 4.0

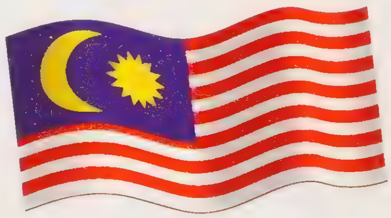
* Current GDP per capita is substantially lower owing to sharp decline in the value of the *ringgit* since July 1997.

EDC's position:
Short term – Open on a case-by-case basis.
Medium/long term – Open. Caution advised.
Foreign Investment Insurance – Case-by-case. Open subject to project restrictions.

Canadian opportunities:
Power, telecommunications, infrastructure.

Who to contact:
Canadian High Commission in Malaysia
Mr. Paul Lau
Senior Trade Commissioner
Tel.: (011-60-3) 261-2000
Fax: (011-60-3) 261-1270

CIDA (INC)
Mr. David Keithlin
Program Manager
Tel.: (819) 997-0568
Fax: (819) 953-5024



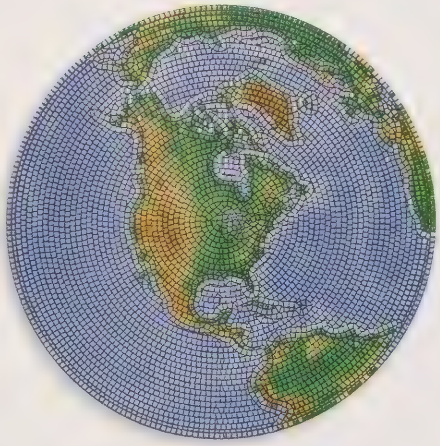
DFAIT
Mr. Michael Cleary
Trade Commissioner
Tel.: (613) 996-5824
Fax: (613) 944-1604

EDC
You may reach your applicable business team contact via the EDC regional office nearest you (see listing, inside back cover) or by contacting an EDC Regional Manager for Thailand: Robert Simmons, tel.: (613) 598-3022 or Mark Bolger (613) 598-2508.

Beyond Asia

Global economic outlook

by Jim Olts



Make no mistake about it, the big story today — and probably throughout 1998 — is the ongoing financial crisis in Asia, and the fallout Canada can expect from this economic downturn. No doubt the troubles in Southeast Asia will negatively impact Canada's direct export prospects to the region. Also, indirectly, the crisis has weakened global commodity prices, slowed growth in other regions of the world, and intensified competition.

Notwithstanding this rather bleak Asian economic outlook, the negative effects of Asian contagion should not be overstated. The five countries at the core of the financial crisis — Thailand, Indonesia, South Korea, Malaysia and the Philippines — account for just over three per cent of world demand and only about two per cent of Canadian exports. And, while sales prospects in Southeast Asia are poor in the short term, prospects for most of Canada's other markets around the world remain good.

In the industrialized world, the star performer is our most important market, the United States. After seven years of expansion, the U.S. economy shows no sign of a downturn. Indeed, one of the major risks to sustained expansion — inflation in product markets, labour markets and asset markets — has been diminished considerably as the Asian crisis shatters "irrational exuberance" and puts downward pressure on product prices south of the border. The continued prospect of low interest rates will combine with higher wages and full employment to feed continued growth in consumer spending. This, together with continued buoyancy in investment spending, means that demand growth will register about three per cent in 1998.

Low interest rates will also stimulate consumer and investment spending in continental Europe, although the impact on demand will be offset by the ongoing structural changes throughout 1998. Governments there are now in the midst of a major retrenchment, while corporate Europe is restructuring to regain lost competitiveness. The net result is a jobless recovery reminiscent of the one that Canada experienced in the mid-1990s: strong export demand alongside weak domestic demand, and a strengthening corporate sector alongside a weakening household sector. European domestic demand should register two to 2.5 per cent this year.

In Japan, domestic demand has deteriorated throughout 1997. Not only did the *yen* depreciate sharply against the U.S. dollar, but equity prices dropped by 27 per cent since June. Despite this economic stagnation, a gradual recovery in consumer confidence, supported by

an expected strengthening in labour market conditions, may improve the overall outlook for 1998.

Among the emerging markets, the contagion embodied in the loss of investor confidence has so far been largely contained to the ASEAN-4 and Korea.

In emerging Asia — outside the ASEAN-4 and Korea — growth prospects are reasonably good. The mega economies of India and China have been largely unchallenged by the markets and will continue to show rapid, albeit slower, growth in 1998. It is generally felt that Hong Kong, Singapore and Taiwan have economies sufficiently strong to withstand the effects of the Asian contagion, and market growth for Asia as whole will be about 5.5 per cent in 1998 compared with a seven per cent growth last year.

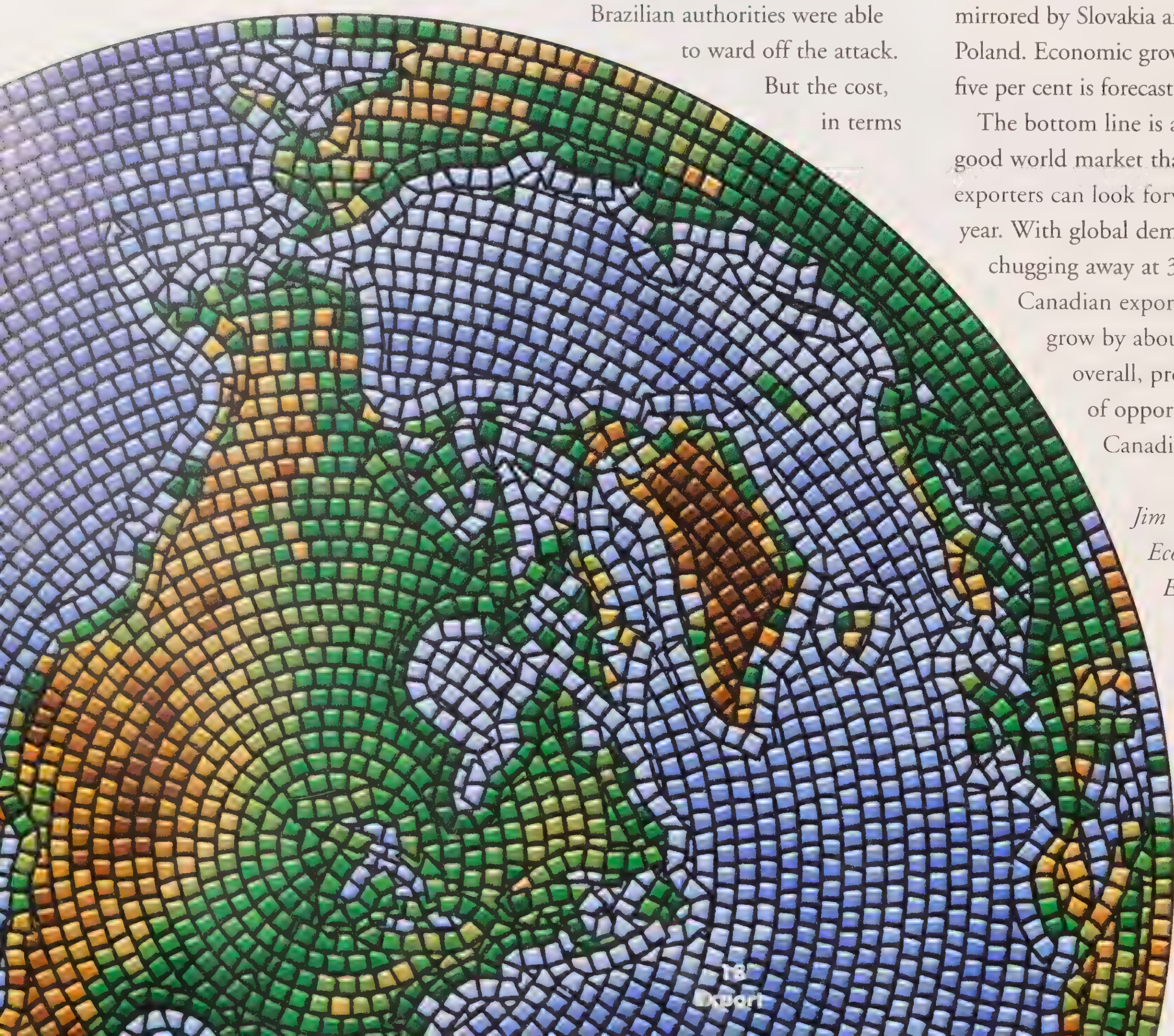
The bottom line is a reasonably good world market that Canadian exporters can look forward to this year.

In Latin America, investors did attack the Brazilian *real* last fall, but thanks to a swift and cohesive policy response, Brazilian authorities were able to ward off the attack. But the cost, in terms of economic growth for both Brazil and South America, was high. The consequence of a doubling of interest rates and a strong package of fiscal measures will be a drop in Brazil's economic growth from 3.5 per cent last year to 1.5 per cent this year. This slowdown of Latin America's largest market will be transmitted to the region as a whole, where growth will slow from more than five per cent in 1997 to about 3.5 per cent this year.

In East Europe and the former Soviet Union, the Russian *ruble* came under intense pressure late in 1997, resulting in higher interest rates. East Europe continues to offer strong growth prospects for 1998 despite the retrenchment under way in the Czech Republic. This will likely be mirrored by Slovakia and perhaps Poland. Economic growth of about five per cent is forecast for 1998.

The bottom line is a reasonably good world market that Canadian exporters can look forward to this year. With global demand growth chugging away at 3.5 per cent, Canadian exports should grow by about five per cent overall, providing plenty of opportunity for Canadian exporters.

Jim Olts is Chief Economist at EDC.



KEEPING UP TO SPEED

Servicing the TRANSPORTATION SECTOR

A diverse array of Canadian firms in the transportation sector are making great headway in today's competitive global marketplace. For many, EDC has become a frequent cog in the business wheel — one that helps seal export deals by offering both standard products as well as plenty of new ideas for custom solutions.

In 1997, EDC helped move more than $3 billion worth of exports within the transportation sector, in categories ranging from aircraft and parts as well as motor vehicles and parts, to railroad rolling stock, shipbuilding and repair, and related equipment and services. Exporters in each category have unique characteristics, problems and needs, all of which are met by a range of EDC products, both ready-made and custom-designed. In the last two years, financing has been in greatest demand, followed by short-term credit insurance.

Some companies use EDC's short-term insurance solutions to cover their receivables against the risk of non-payment, while others require medium-term tools, such as contract or performance bonds, to get a transaction off the ground.

In addition, a large number of exporters draw on EDC's ability to create custom solutions, such as long-term financing or insurance solutions, specifically tailored to meet the transaction needs of their firms and the demands of the industry.

Flexibility is key

The industry's diversity has been the driving factor behind the way EDC designs its services, say EDC's transportation Relationship Managers Walt Hutchings and Mark Senn.

"At one end of the spectrum are giant aerospace firms such as Bombardier and Bell Helicopter. At the other end are the small- and medium-sized enterprises (SMEs) that supply tooling and parts to large automakers like General Motors, Ford and Chrysler," says Hutchings. "EDC's diversified Transportation Team is able to understand and serve the needs of firms of all sizes, in all aspects of the industry," he adds.

Hutchings is involved primarily with the motor vehicle and parts sector, which alone accounts for a huge chunk of Canada's transportation exports — in 1996 it represented about 87 per cent or more than $61 billion. The motor vehicle and parts sector plays a significant part in the Canadian economy, employing about half a million people and accounting for about 11.5 per cent of the country's manufacturing GDP and 23 per cent of total merchandise trade.

In 1997, EDC supported more than $328 million of business in the motor vehicle and parts sector.

Basically, firms in the motor vehicle and parts sector fall into two categories. The first are the SMEs that supply the large motor vehicle manufacturers. The second group comprises companies engaged in producing replacement parts, products and equipment for the aftermarket.

Aftermarket suppliers have been a natural fit with EDC's short-term insurance to protect their receivables against buyer default in markets like the United States. In addition, they are able to use EDC's resources to their advantage to obtain credit information on prospective buyers.

"Many exporters tell us they have more peace of mind about their transactions knowing they've taken steps to mitigate the risks of doing business in another country," says Hutchings.

Responding to changing needs of automotive exporters

The companies working with original equipment manufacturers (OEMs), however, have a more complicated story. In the last few years, the industry has undergone considerable change. Tier 1 parts suppliers have taken on more responsibility for design and production of vehicle components.

In order to concentrate on their main business, they in turn have been outsourcing to smaller firms the tooling, moulds and equipment to make parts. Therein lies the glitch. "Since OEMs only pay upon completion of the tooling or at different stages of parts delivery, funding for the production of the tools and moulds is often in short supply," says Hutchings. To resolve this dilemma, EDC's tool financing program was born.

Working closely with the Tier 1 suppliers and their banks, EDC was able to develop some solutions for the companies that manufacture the tools and moulds, many of which are SMEs. In 1997, EDC supported more than 30 companies with this type of financing.

The ideas for financing evolved as a result of a lot of exploration and thought. First, EDC's automotive specialists talked to people working at every level of the industry to educate themselves about how the industry does business and what problems arise. Then, they created some customized financing solutions, which they then tested and fine-tuned.

During the process, EDC developed successful, rewarding relationships with suppliers and industry associations, such as the Automotive Industries Association and the Auto Part Manufacturers Association.

Heading into 1998, it's going very well, says Hutchings. "We're really on track as far as our initial plan, which was to develop custom financing solutions that help clients do business they could not otherwise have done.

"The other good news is that we've begun to make a name for ourselves within the industry and the business is growing. People in the motor vehicle industry are beginning to understand exactly what we can do to help and we're beginning to see quite a bit of referral business," he adds.

Same tools, different subsector

The auto sector isn't the only success story, however. EDC's Transportation Team also has the ability to offer the same sort of flexibility to other sectors within the industry — aerospace for example. Canada's aerospace industry is a dynamic and technologically advanced sector, and EDC has been involved with the big players for many years.

With total sales estimated at US$8 billion in 1996, Canada's aerospace industry ranks as the sixth largest export sector in the world. There are about 350 Canadian firms involved in the category, producing everything from aircraft engines, helicopters, fixed-wing aircraft and parts, to avionics, electronics and communications equipment, and overhaul services. Statistics Canada reports that there are 61 Canadian companies in the sector with sales over $1 million.

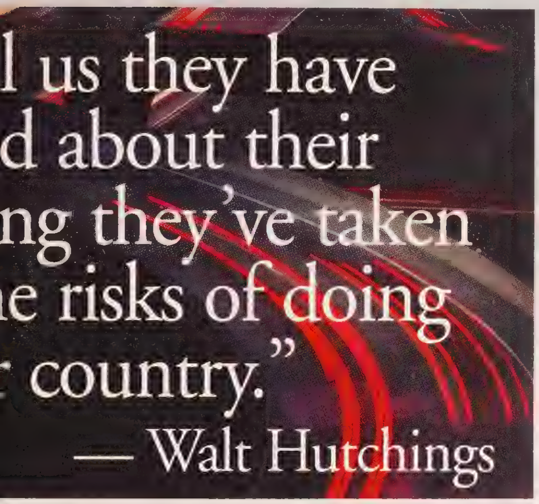
In 1997, EDC supported more than $1.7 billion worth of business in the aerospace sector using a variety of financial products. In addition to the sovereign lending more typically associated with the role of an export credit agency, EDC's Transportation team has developed a high level of sophistication in structured finance deals. For example, the team has

successfully completed a number of tax leases in foreign jurisdictions. EDC has also developed the expertise to support Canadian aerospace firms with the necessary project financing to help them close deals in foreign markets.

For many years, the portrait of EDC's traditional client in the transportation business has been a huge global corporation, sophisticated in financial matters. EDC has built long-term relationships with such major aircraft and rail players as Bombardier, Bell Helicopter and General Motors Diesel Locomotive Division.

However, with the changing environment surrounding the transportation industry, EDC is

exploring ways to help the smaller exporters that supply the major manufacturers. The challenges these firms face are manifold. With increasing globalization and competition, they are struggling to understand and supply increasing requirements from OEMs to share financial risk for their portions of projects. As part of this initiative, EDC is working closely with the national sector teams and industry associations, both at a provincial and federal level, to better identify and meet the needs of its client base.



Since the manufacture of a new aircraft can take years from beginning to end, and suppliers only recover the funds as planes are sold, most are in a severe cash crunch. "Consequently, we're working with suppliers and their banks to see if we can ease the process somewhat with tooling or developmental financing," says Mark Senn, EDC's Relationship Manager for aircraft and rail.

EDC can provide a number of options to the exporter to bridge the gap, with financial tools such as note purchase programs or pre-shipment financing, and can also tailor these products to meet the specific requirements of the supplier and the OEM.

Furthermore, EDC's Transportation Team continues to look for new ways to support Canadian exporters. "We're also hoping to move into financing for companies that work in the area of rail freight and passenger cars," adds Senn. "It's a growing Canadian sector made up of firms that produce urban transit equipment and freight and passenger railway equipment."

Canadian companies involved in the rail business did more than $1 billion worth of business in foreign markets in 1996, and accounted for about 20 per cent of the North American market. In 1997, EDC volumes in the rail industry were just over $1 billion, and it provided support in the form of structured finance solutions as well as short- and medium-term insurance products.

In both the aircraft and rail sectors, EDC used a combination of standard and custom-designed medium-term solutions to ease exporters out of tight spots.

Responding to needs created by the Asian crisis

EDC's ability to customize insurance to suit a transaction was challenged recently by a situation that arose because of the currency crisis in Asia, says Kent Peters, a financial services manager at EDC who specializes in medium-term insurance. "One of our large aerospace clients had developed a good market in Thailand. Then, the Asian currency crisis happened. The turmoil created unprecedented problems for our customer in obtaining the usual financing from commercial sources, because the risk was too great." In the end, says Peters, EDC resolved the problem by assuming the credit risk in that country. "To get to an effective solution, we worked with our client's bank, the Thai bank and our customer's client," he says.

Another example of a situation in which EDC can help is where contract bonding is required for transit suppliers. "The need is created when a foreign buyer wants assurance that a contract will be completed by its supplier. That has repercussions even on the sub-suppliers, creating bonding requests throughout the supply chain. Normal bonding channels work well for the construction industry, but break down when work specific to another industry is involved," says Peters. EDC currently has three such scenarios in motion for smaller firms involved in the manufacture of high-speed transportation and subway cars. Furthermore, EDC is undertaking discussions with Canada's leading transit OEMs to implement bonding support programs for their suppliers.

In both the aircraft and rail sectors, as in the automotive sector, EDC has done considerable groundwork to ensure it can properly address the industry's needs, including working with associations such as the Canadian Association of Rail Suppliers, provincial aerospace councils and the Aerospace Industries Association of Canada. The goal is to continue striking out in new directions in response to customer needs.

Canadian aircraft exporter reaches new heights

Sometimes sizeable financing barriers appear en route when doing business in the aircraft industry. EDC offers some interesting custom solutions to help navigate the way, and recently helped this new customer make its transaction fly.

Already very experienced in the aircraft industry, Kelowna Flightcraft Ltd. recently signed on with EDC to help it expand its markets and grow its business. The company does aircraft repair, overhaul and modification out of Canadian facilities located in its Kelowna, British Columbia headquarters and in Hamilton, Ontario, as well as at customer facilities worldwide.

"The company began its association with us because of its recent push into Latin American markets," says EDC Relationship Manager Mark Senn. He explains that the first opportunity Kelowna Flightcraft captured was in Bolivia with the Fuerza Aerea Boliviana. The contract required depot-level inspection and repair and an avionics update for 18 jet trainer aircraft to be done in Canada.

"The work is intended to extend the life of the planes to (the year) 2015," says the firm's Director of Engineering, Michael Sizeland. "Without EDC's financing to support the project we would not have secured the contract, because the customer needed the financing." To close the deal, the company worked with EDC to come up with a seven-year plan for $16 million in financing.

"It was our first involvement with EDC," says Sizeland. "EDC staff led us very nicely through the step-by-step process, because they knew we were inexperienced with export financing."

The future holds more prospects for business with EDC, he adds. While the firm has taken aim at a variety of Latin American opportunities, including some joint ventures, its most immediate need for EDC support is for potential business in Chile.

Kelowna Flightcraft Ltd. is part of the Kelowna Flightcraft Group of Companies, along with Kelowna Flightcraft Air Charter Ltd. and Kelowna Flightcraft R&D Ltd. Founded in 1970, the Kelowna Flightcraft Group has 13 Canadian locations and annual revenues of about $150 million. It currently employs about 750 personnel, including aeronautical, electrical and mechanical engineers, pilots, office, shop and service personnel. Kelowna Flightcraft is certified under the ISO 9001 Quality Assurance Program and holds Transport Canada, United States Department of Transportation and European JAR approvals for service, repair, modification and overhaul of aircraft and components.

EDC goes the distance for automotive exporters

Canadian firms in the automotive industry have earned themselves an enviable reputation world-wide. But the road to success is not without its potholes. EDC has developed support tools that help them negotiate a clear path to success.

There's no stopping ABS

Eighteen months ago, with six employees and a half-vacant Guelph warehouse, ABS Friction Inc. shipped its first 2,000 sets of high-quality brake pads to Puerto Rico. Today, its work force has grown tenfold, the warehouse is bulging, and it is shipping 50,000 sets of pads a month to 20 countries.

Not bad for an upstart company that two years ago had a great idea, but no bank financing. That is when EDC broke the logjam by satisfying bankers who feared they would have trouble recovering the high cost of specialized brake pad moulds if the enterprise failed.

"EDC's David Little (Business Development Manager, Toronto) really went to bat for us internally," says ABS President Rick Jamieson. "Then, when Walt Hutchings (Relationship Manager) of EDC's Automotive Unit agreed to provide a 50 per cent shortfall guarantee, the TD Bank climbed aboard."

Jamieson also says EDC's credit insurance provided him with invaluable "peace of mind."

ABS won quick acceptance in the export market because of its quality product, and because of Canada's reputation as an export nation that understands and meets the needs of foreign customers.

When it comes to bringing new product to market, ABS is unstoppable. Its initial product line totalled 50 parts, covering about 25 per cent of vehicles on the road; today, it has 440 parts to cover more than 90 per cent of vehicles. "We had replacement pads for the 1998 Toyota Corollas on the market four weeks after they hit the showrooms," says Jamieson, "and we're determined to be the first supplier for the new Volkswagen Beetle." By the end of this year, Jamieson hopes to have a complete product line to attract the attention of major North American wholesalers. And by the year 2000, his sales goal is $20 million annually.

"Our products are on hundreds of thousands of vehicles around the world, and we've proven a small company can compete with the big guys in this industry," says Jamieson. "We believe we can achieve the same success throughout North America."

Veltri keeping pace in OEM market

Veltri Metal Products Co. is a metal stamping firm that supplies structural modules, sub-assemblies and detailed stampings for large manufacturers of cars, vans, sport vehicles and trucks. Part of the Talon Automotive Group, Veltri boasts about 34 years of industry experience and runs facilities in Windsor and Glencoe, Ontario that employ about 700 in total.

The firm was in on the ground floor of EDC's new tooling program, says Lisa Bjerkelund, Financing Services Manager. "We started working with them a little over a year ago to develop financing products for the industry's specialized requirements."

Late in 1996, Veltri came to EDC for assistance in financing the tooling requirements for a mini-van program.

According to Veltri's Director of Finance, Mark Deikman, "EDC has taken on a specialized niche with respect to tooling financing. By focusing on exports, EDC is able to take a different view of the industry and offer financing products that we find extremely beneficial."

Tier-1 suppliers to large auto-makers, such as Veltri, are reimbursed for tooling expenditures by the original equipment manufacturer (OEM) upon tool completion or over the life of the parts contract. The timing of the reimbursement makes it difficult to make progress payments to the tool shop.

In response to this problem, EDC has designed and tested a tooling financing program that works, says Diekman. "EDC has perfected a way to help that creates a win-win-win situation for the tool shop, tier-1 and OEM."

Lines of credit & export financing

EDC has many types of export financing facilities to simplify the purchase of Canadian goods and services by buyers in export markets.

These facilities fall into two broad categories: supplier credit financing and buyer credit financing.

One example of supplier credit financing is a note purchase agreement. Under such an agreement, EDC purchases from an exporter a series of promissory notes issued by a foreign buyer to the exporter upon the sale of goods or services.

Buyer credit financing includes direct loans and lines of credit. Direct loans are a financing arrangement between EDC and a buyer, or a borrower on behalf of a buyer, for a predetermined transaction. Loans usually involve large transactions with long repayment terms.

Lines of credit are a streamlined form of financing in which EDC lends money to a foreign bank, institution or purchaser, which then onlends the necessary funds to foreign purchasers of Canadian goods and services. Interest rates, repayment terms and other details are prearranged between EDC and the foreign borrower, which speeds up turnaround time. Transactions supported under lines of credit are usually valued at between US$50,000 and US$5 million. EDC currently has 44 lines of credit, providing one form of access to export financing for buyers in some 23 countries.

Listed below are the details and contacts for the lines of credit which exporters have found most useful.

It is important to note that:

- **EDC's financing and insurance services extend beyond countries in which EDC has established lines of credit.**
- **These lines of credit are one of several ways in which EDC will do business in these markets.**
- **If you are thinking about exporting but have never used one of EDC's lines of credit, it is wise to contact EDC as early as possible.**

For more information on how EDC export financing can help you close a deal abroad, contact the regional office nearest you.

(Refer to the contact list on the inside back cover.)

Categories

Overseas Area Code = 011

1 - Borrower
2 - Signing amount
3 - Repayment terms
4 - Buyers' contact with borrower
5 - Borrowers' contact in North America

Lines of Credit

Mexico, Central & South America

Andean Pact – Bolivia, Colombia, Ecuador, Peru and Venezuela

1) **Corporación Andina de Fomento (CAF)**
2) US$70 million
3) 10 years
4) Mr. Fernando Infante
Capital Markets Group
Tel.: 582-209-2283
Fax: 582-209-2329

Dr. Hernán Escudero M. (Bolivia)
Tel.: 591-243-1333
Fax: 591-243-2049

Ms. Liliana Canale (Colombia)
Tel.: 571-313-2311
Fax: 571-313-2787

Mr. Alfredo Solarte (Ecuador)
Tel.: 593-222-4080
Fax: 593-222-2107

Mr. Ernesto Aranibar Q. (Peru)
Tel.: 511-221-3566
Fax: 511-222-0968

Mr. Ricardo Ehrsam
Public Sector (Venezuela)
Econ. Blanca Olivo, Private Sector
Tel.: 582-209-2486/2379
Fax: 582-209-2433

Argentina

1) **Banco Francés**
2) US$10 million
3) 2, 3, 5 or 7 years
4) Mr. Fernando Sola
Regional Manager
North America and Asia Pacific
Tel.: 541-346-4326/4000 (ext. 1893)
Fax: 541-346-4337

1) **Bridas S.A.P.I.C.**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Pablo M. Ferrari
Financing Department
Tel.: 541-310-4332
Fax: 541-310-4367

1) **Industrias Metalúrgicas Pescarmona S.A.I.C. (IMPSA)**
2) US$15 million
3) 3 semi-annual installments
4/5) Mr. Claudio Troglia
Director of Purchasing (Pittsburgh)
Tel.: 412-344-7003 (ext. 21)
Fax: 412-344-7009

1) **Telecom Argentina Stet-France Telecom S.A.**
2) US$45.2 million
3) 3 to 8.5 years
4) Mr. Mario González, Manager/
Ms. Christel Maulhardt, Analyst
Trade Finance Operations
Tel.: 541-968-3612/3614/3068
Fax: 541-312-9472

1) **Telefónica de Argentina S.A.**
2) US$50 million
3) 3 to 8.5 years
4) Mr. Raul Rolandi,
Deputy Director Financial Services
Tel.: 541-325-0190
Fax: 541-325-1920

1) **Total Austral S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Alain Petitjean
Financial Controller
Tel.: 541-394-8167
Fax: 541-394-9318

1) **YPF, S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Enrique Waterhouse/
Ms. Dora E. Acosta Vásquez
Tel.: 541-329-5685
Fax: 541-329-5838

Argentina, Brazil, Colombia and Uruguay

1) **BankBoston**
2) US$25 million
3) 2 to 8 years
4) Mr. Julio Laffaye
Trade Finance Manager
International Services (Argentina)
Tel.: 541-346-2112
Fax: 541-346-3209/343-7303

Mr. Carlos Martins (Sao Paulo)
Tel.: 5-511-249-5622
Fax: 5-511-249-6430

Mr. Damián Donnelly (Bogotá)
Tel.: 571-313-3481
Fax: 571-313-3536

Mr. José Baniela (Montevideo)
Tel.: 598-296-0127
Fax: 598-296-2209

5) Mr. Hugo Owen
Vice President (Boston)
Tel.: 617-434-3107
Fax: 617-434-1188

Brazil

1) **Banco do Brasil**
2) US$25 million
3) up to 5 years
4) Mr. Augusto Brauna Prieto
Deputy Manager
Tel.: 5-511-3066-9040
Fax: 5-511-3066-9029

Ms. Elisete Suely Marques
Team Coordinator
Tel.: 5-511-3066-9066
Fax: 5-511-3066-9029

1) **Petrobrás**
2) US$15 million
3) up to 5 years
4) Mr. Carlos Alberto Massena Barbosa
Tel.: 5-521-534-1454/1457
Fax: 5-521-534-4278

1) **Unibanco – União de Bancos Brasileiros**
2) US$15 million
3) 2, 3, 4 or 5 years
4) Ms. Celina Porto/Ms. Silvia Nucci
Manager International Relations/
Ms. Patricia Urbano
Manager, Corresponding Banking
Tel.: 5-511-867-1684/4321/1900
Fax: 5-511-815-4484/814-0528/
867-1689
5) Mr. Durval Araujo (New York)
Tel.: 212-207-9426
Fax: 212-754-4872

Mr. Marcos Pereira (Miami)
Tel.: 305-372-0100
Fax: 305-350-5622

Colombia

1) **Banco Cafetero**
2) US$10 million
3) up to 8 years
4) Mr. Luis Hernando Manrique
Head Special Lines Department
Tel.: 571-341-1511 (ext. 3700)
Fax: 571-284-2097/282-6751

EDC is prepared to provide its full range of financing programs to the following institutions in Colombia as specific transactions arise. Please call EDC for information on the appropriate contacts at the respective institutions:

Banks

For large/small transactions:
Banco de Bogotá, Banco de Colombia, Banco Ganadero and Instituto de Fomento Industrial
For smaller transactions:
Banco Comercial Antioqueño, Banco del Estado, Banco de Occidente, Banco Industrial Colombiano and Banco Unión Colombiano

Financial Corporations

Corfinsura and Corfivalle

Oil and Gas

Ecopetrol

Honduras, Costa Rica, El Salvador, Guatemala and Nicaragua

1) **Central American Bank for Economic Integration (CABEI)***
2) US$20 million
3) 5 years
4) Mr. Jorge Kawas
(Tegucigalpa, Honduras, Headquarters)
Tel.: 504-372-230/38-4901
Fax: 504-370-090 or 793

Lic. Ronald Martínez Saborío (Costa Rica)
Tel.: 506-253-9394
Fax: 506-253-2161

Ing. Francisco José Ramírez Cuadra
(El Salvador)
Tel.: 503-260-2244/2245
Fax: 503-260-3276

Lic. Jorge Marco Diaz Rosal (Guatemala)
Tel.: 502-344-1744/332-2722
Fax: 502-331-1456

Ing. Roger Arteaga Cano (Nicaragua)
Tel.: 505-266-7097
Fax: 505-266-4125

* CABEI is closed to new projects in the public sector/Government of Nicaragua.

Mexico

1) **Banca Serfin, S.A.**
2) US$20 million
3) 5 years
4) Mr. José Carrassó Arnaiz
Vice-President, International Division
Tel.: 525-512-1009
Fax: 525-625-5613
5) Mrs. Paloma Healey
Tel.: 416-360-8900
Fax: 416-360-1760

1) **Bancomer, S.A.**
2) US$75 million
3) 5 years
4) Ms. Cecilia Sáenz y Sáenz
Vice-President, Import Financing
Tel.: 525-621-3861/3491
Fax: 525-621-4758

1) **Banco Nacional de Comercio Exterior, S.N.C. (Bancomext)**
2) US$90 million
3) 5 to 8 years
4) Ms. Rosa María Solís
Vice-President
International Banking, North America
Tel.: 525-327-6051
Fax: 525-327-6076/6077
5) Mr. Marco Espinosa
Trade Commissioner of Mexico (Toronto)
Tel.: 416-867-9292
Fax: 416-867-1847

1) **Banco Nacional de México, S.A. (Banamex)**
2) US$125 million
3) 5 to 8 years
4) Mr. Gerardo Santos
Comercio Exterior
Tel.: 525-225-6690
Fax: 525-225-5389

1) **Banco Nacional de Obras y Servicios Públicos, S.N.C. (Banobras)**
2) US$20 million
3) 5 to 8 years
4) Lic. Abelardo Bravo Herrera, Gerente
Operaciones Bancarias Internacionales
Tel.: 525-723-6000
Fax: 525-723-6235

1) **Comisión Federal de Electricidad (CFE)**
2) US$30 million
3) 5 to 8 years
4) Mr. Ranulfo Matus López
Credit Operations Department
Tel.: 525-286-6859
Fax: 525-286-1456

1) **Hylsa, S.A. de C.V.**
2) US$20 million
3) 5 years
4) Mr. Manuel Moguel, Treasury
Tel.: 528-328-1220
Fax: 528-328-1885

1) **Nacional Financiera, S.N.C. (Nafin)**
2) US$28 million
3) 5 to 8 years
4) Mr. Jorge Muñoz Cuevas
Manager Bilateral Financing
Tel.: 525-325-7022/7023
Fax: 525-325-6496

1) **Petróleos Mexicanos (Pemex)**
2) US$14.6 million
3) 5 to 8 years
4) Lic. Guillermo Christy Vera
Associate Managing Director of Finance
Tel.: 525-250-6478
Fax: 525-254-1896

1) **Teléfonos de México, S.A. de C.V. (Telmex)**
2) US$35 million
3) 3 to 7 years
4) Mr. Gustavo León Méndez, Treasury
Tel.: 525-222-1153/1154
Fax: 525-203-5972

Peru

1) **Banco Wiese Ltdo.**
2) US$15 million
3) 2 to 5 years
4) Mr. Eduardo Lizarzaburu Cuba
   Financing Intermediation Division
   Tel.: 511-430-2006
   Fax: 511-426-9414

Venezuela

1) **BARIVEN, S.A./Petróleos de Venezuela, S.A. (PDVSA)**
2) US$50 million
3) 2 to 8.5 years
4) Mr. Jesus Bello
   Finance Manager
   BARIVEN, S.A. (Caracas)
   Tel.: 582-201-4761
   Fax: 582-201-4605
5) Mr. Philip Lemon
   Trade Financial Analyst
   PDVSA Services, Inc. (Houston, Texas)
   Tel.: 281-588-6400
   Fax: 281-588-6287

Africa & Middle East

Algeria

1) **Banque Algérienne de Développement (BAD)**
2) US$100 million
3) 3 or 5 years
4) Mr. Sadek Alilat
   Director
   Tel.: 213-2-677-583/4/5
   Fax: 213-2-674-241

1) **Sonatrach**
2) US$70 million
3) 3 or 5 years
4) Mr. Mohamed Kerkebane
   Director
   Tel.: 213-2-746-272/746-209
   Fax: 213-2-746-256

Ghana

1) **Ministry of Finance and Economic Planning**
2) US$20 million
3) up to 10 years
4) Mr. Emmanuel Darko
   Director
   International Economic Relations Division
   Tel.: 233-21-665-920
   Fax: 233-21-667-069
5) High Commission of Ghana to Canada in Ottawa
   Tel.: 613-236-0871
   Fax: 613-236-0874

Israel

1) **Bank Hapoalim B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Yona Rosenberg
   Foreign Trade Department
   Tel.: 972-3-567-3424
   Fax: 972-3-567-4548

1) **Bank Leumi Le-Israel B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Liorah Tidhar, First Vice-President
   Trade & Project Finance
   Tel.: 972-3-514-7373
   Fax: 972-3-514-7865

1) **The Israel Electric Corporation**
2) US$19.5 million
3) 5 or 12 years
4) Ms. Ilana Blechner
   Finance, Trade, Insurance Department
   Tel.: 972-4-854-8272
   Fax: 972-4-851-5597

1) **United Mizrahi Bank Limited**
2) US$10 million
3) 3, 5 or 7 years
4) Mr. Chana Chefer
   Foreign Trade Department
   Tel.: 972-3-567-9011
   Fax: 972-3-567-9028

South Africa

1) **First National Bank of Southern Africa Limited**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Steve Smith
   Manager, Export Credits
   Tel.: 011-371-6665
   Fax: 011-371-7255

1) **Impofin (Pty) Limited**
2) US$15 million
3) up to 8.5 years
4) Mr. Leon Potgieter,
   Deputy General Manager
   Industrial Development Corporation of South Africa Ltd.
   Tel.: 011-269-3266
   Fax: 011-269-3121

1) **Nedcor Bank Ltd.**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Yianni Puorovllis
   Manager, International Finance Unit
   Tel.: 011-630-7851
   Fax: 011-630-7146

1) **The Standard Bank of South Africa Limited**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Gerald Nolan
   Senior Manager, International Finance
   Tel.: 011-636-5062
   Fax: 011-636-3181

Tunisia

1) **Ministry of International Cooperation and Foreign Investment**
2) US equivalent of Cdn$100 million
3) up to 10 years
4) Mr. Abdelhamid Bouhawala
   Tel.: 216-1-798-522
   Fax: 216-1-799-069

Europe

Turkey

1) **Turk Eximbank**
   Export Credit Bank of Turkey
2) US$50 million
3) 3 to 7 years
4) Mr. Bekir Bora
   Deputy General Manager/
   Mr. Ertan Tanriyakul
   Finance Manager
   Tel.: 312-417-1300
   Fax: 312-425-2947

Asia & Pacific

China, People's Republic of

1) **Bank of China**
2) US$200 million or its equivalent in Cdn. or other acceptable foreign currencies
3) up to 10 years
4) Mr. Xu Gang
   Divisional Chief
   Credit Business Department
   Tel.: 86-10-6834-3312
   Fax: 86-10-6834-2272
   Telex: 22254/22289 BCHO CN

1) **Bank of Communications**
2) US$25 million
3) up to 10 years
4) Mr. Shi Fu Ling
   Deputy General Manager
   Forex Credit Department
   Tel.: 86-216-275-1234/7255
   Fax: 86-216-275-6224

1) **China Construction Bank**
   (previously People's Construction Bank of China)
2) US$100 million
3) up to 10 years
4) Ms. Ying Chunzi
   Manager, International Department
   Tel.: 86-106-851-5276
   Fax: 86-106-851-5285

India

1) **Export-Import Bank of India (Exim)**
2) US$10 million
3) up to 8.5 years
4) Mr. David Rasquinha
   Manager, Export-Import Bank of India (Mumbai)
   Tel.: 91-22-218-5272 (ext. 2404)
   Fax: 91-22-218-8076
5) Mr. Anup K. Hiranandani
   Resident Representative (Washington, D.C.)
   Tel.: 202-223-3238/3239
   Fax: 202-785-8487

Contacts

EDC SEE

Head Office
151 O'Connor
Ottawa, Canada
K1A 1K3

Tel.: (613) 598-2500
Telex: 053-4136
Fax: (613) 237-2690

E-mail:
export@edc4.edc.ca
Internet:
http://www.edc.ca

Western Region

Glen Hammond
Regional Vice-President

Vancouver Office
Suite 1030
505 Burrard Street
Vancouver, British Columbia
V7X 1M5
Tel.: (604) 666-6234
Fax: (604) 666-7550

Ray Johnson
Business Development Manager

Winnipeg Office
Commodity Exchange Tower
Suite 2075
360 Main Street
Winnipeg, Manitoba
R3C 3Z3
Tel.: (204) 983-5114
Fax: (204) 984-0163

Lewis Megaw
Business Development Manager

Calgary Office
Home Oil Tower
Suite 606
324-8th Avenue S.W.
Calgary, Alberta
T2P 2Z2
Tel.: (403) 292-6898
Fax: (403) 292-6902

Bruce Stanton
Business Development Manager

Edmonton Office
Alberta World Trade Centre
Suite 502
10303 Jasper Avenue
Edmonton, Alberta
T5J 3N6
Tel.: (403) 495-2286
Fax: (403) 495-2346

Karen Goss
Business Development Manager

Ontario Region

Ruth Fothergill
Regional Vice-President

Toronto Office
Suite 810
150 York Street
P.O. Box 810
Toronto, Ontario
M5H 3S5
Tel.: (416) 973-6211
Fax: (416) 862-1267

David Little
Business Development Manager

London Office
Suite 1512
148 Fullarton Street
London, Ontario
N6A 5P3
Tel.: (519) 645-5828
Fax: (519) 645-5580

Laura Gainer
Business Development Manager

Quebec & Atlantic Region

Toby Price
Regional Vice-President

Montreal Office
Suite 4520
800 Victoria Square
P.O. Box 124
Tour de la Bourse
Montreal, Quebec
H4Z 1C3
Tel.: (514) 283-3013
Fax: (514) 878-9891

Patrice Duval
Business Development Manager

Halifax Office
Purdy's Wharf Tower II
Suite 1410
1969 Upper Water Street
Halifax, Nova Scotia
B3J 3R7
Tel.: (902) 429-0426
Fax: (902) 423-0881

Graham Coade
Business Development Manager

Moncton Office
International Trade Centre
1045 Main Street
4th Floor, Unit 103
Moncton, New Brunswick
E1C 1H1
Tel.: (506) 851-6066
Fax: (506) 851-6406

Charles Gaudet
Business Development Manager

Call any one of EDC's regional offices toll-free:
1-888-332-3777

Business Teams

Base & Semi-Manufactured Goods Team
Kevin Harris
Team Leader
To contact a team member:
Tel.: (613) 598-2823
Fax: (613) 598-2525

Consumer Goods Team
Jean Beaulieu
Team Leader
To contact a team member:
Tel.: (613) 597-8501
Fax: (613) 598-2525

Emerging Exporters Team*
John Hutchison
Team Leader
To contact a team member:
Tel.: 1-800-850-9626
Fax: (613) 598-6871

Financial Institutions Team
Leslie Goodfellow
Team Leader
To contact a team member:
Tel.: (613) 598-6639
Fax: (613) 598-3055

Forestry Team
Catherine Hess
Team Leader
To contact a team member:
Tel.: (613) 598-2936
Fax: (613) 598-2525

Engineering & Professional Services Team
Sherry Noble
Team Leader
To contact a team member:
Tel.: (613) 598-3162
Fax: (613) 598-3167

Industrial Equipment Team
Don Curtis
Team Leader
To contact a team member:
Tel.: (613) 598-3163
Fax: (613) 597-8503

Information Technologies Team
Peter Foran
Team Leader
To contact a team member:
Tel.: (613) 598-6891
Fax: (613) 598-6858

Transportation Team
Eric Siegel
Team Leader
To contact a team member:
Tel.: (613) 598-3164
Fax: (613) 598-2504

** If you are new to exporting and/or have annual export sales of up to $1 million, contact EDC's Emerging Exporters Team for specialized, streamlined service. If you are an experienced exporter with larger, more complex requirements, contact the appropriate Business Development Manager at the EDC regional office nearest you.*

Other organizations that help exporters

Department of Foreign Affairs and International Trade
International market intelligence
InfoCentre
1-800-267-8376

Business Development Bank of Canada
Specialized financing for small- and medium-sized business
BDC
1-888-463-6232

Canadian Commercial Corporation
Export contract advice and assistance
50
1-800-748-8191

Alliance of Manufacturers and Exporters Canada
Canada's leading business network
(613) 238-8888
(416) 798-8000

Northstar Trade Finance
How can we help?
(604) 664-5828

Export wise

Summer/July 1998

Fuelling growth in the oil & gas industry

The African renaissance

The changing face of the Middle East & North Africa

Formerly EDC TODAY

Export wise

Summer/July 1998

Inside Track

4
Wheeling & dealing abroad

7
Inter.net.working: *WorldPages, Agri-Food Trade Service Online, Canadian Environment Industry Association*

8
Making claims in the Year 2000 and beyond

9
Contract bonding: *Accessing guarantees without tying up your cash*

Focus on Smaller Exporters

10
PSG helps get SIAL contract off the ground

Industry Watch

11
Fuelling growth in the oil & gas industry

8
ADDC building a presence in Canada and beyond

15
Propak turns to EDC for risk management, financing

On the Map

16
The African renaissance

19
African countries at a glance: *South Africa, Ghana*

20
The changing face of the Middle East & North Africa

23
Middle Eastern countries at a glance: *Egypt, Morocco*

EDC Listings

24
Lines of Credit

27
Contacts

Export News

(Insert)

•

EDC partners with exporters on China Mission '98

•

EDC creates nine new sector teams

•

EDC Direct to expand options

•

And more...

•

Editor Cathy Lynch

Desktop Design/Editorial Assistant
Deborah Chapman

Creative Direction & Production
Mantle & Overall Communications

Film & Printing
The Lowe-Martin Group

Contributors
Brenda Brown, Diane Cousineau, Maria Forde, Chantal Lalande, Dan Lussier, Cathy Lynch, Paul McKenna, Alison Nankivell, Tim O'Connor, Michael Schroeter, Brenda Stewart, Judith Whitehead and Richard Whitty

Translation
(from **Export Wise** to **Exportateurs avertis**)
Maguy Robert and Anne Tanguay

Advisory Board
Andrew Douglas, Patrick Doyle, Luc Dupont, Peter Foran, Ruth Fothergill, Kevin Harris, Glen Hodgson, Keith Milloy and Kurt Rufelds

Export Wise is published four times a year by EDC's Corporate Communications Department.

EDC 151 O'Connor Street
Ottawa, Canada K1A 1K3
Tel.: (613) 598-2500
Fax: (613) 237-2690
Telex: 053-4136
Internet: http://www.edc.ca

Export Development Corporation (EDC) provides a full range of trade finance services that helps Canadian exporters and investors do business in 200 countries, including higher-risk and emerging markets. Founded in 1944 as a Crown corporation, EDC operates as a commercial financial institution.

The editor welcomes signed letters of comment on articles that appear in **Export Wise** or on events and issues related to the Canadian export industry. Letters may be edited to meet the magazine's style and space requirements.

All dollar amounts indicated in the magazine are in Canadian dollars unless otherwise specified.

Executive Team

Peter Allen
Senior Vice-President & Chief Financial Officer

Rolfe Cooke
Vice-President, Short-Term Financial Services

A. Ian Gillespie
President & Chief Executive Officer

Suzanne Michaud
Vice-President, Public Affairs

Katherine Payne
Vice-President
Human Resources & Administration

Gilles Ross
Senior Vice-President
Legal Services & Secretary

Eric Siegel
Executive Vice-President
Medium- & Long-Term Financial Services

Be sure to visit EDC's Web site at http://www.edc.ca

Ce document existe également en version française

Wheeling & dealing abroad

How EDC is helping two Canadian Tier-1 autoparts suppliers move full speed ahead into the global marketplace, and stay there.

Competition is fierce in an industry that currently demands increasingly higher-quality products at ever-lower prices, more investment in research and development and a presence in foreign locations. Current forecasts predict that only 25 per cent of today's Tier 1 autoparts suppliers will still be selling directly to vehicle manufacturers by the year 2005. The balance will be relegated to supplying the Tier 1's, or may no longer be in the game.

"Going global" is becoming more and more necessary, as original equipment manufacturers (OEMs) of passenger vehicles build plants in emerging markets such as Brazil, Argentina, Poland, China, Russia and India at a rapid pace and invite their Tier-1 suppliers to come along for the ride.

With proper precautions and preparation, the opportunities can be enormous, says Craig Wiggins, Relationship Manager on EDC's Automotive Team. However, the opportunities are not without risk. "Brazil is a good example of a market that is attracting tremendous automotive investment," adds Wiggins. "The traditional vehicle markets — North America, Western Europe and Japan — are saturated. In North America, there is one car for every two people. In order for OEMs to increase sales, they must penetrate markets like Brazil, where the ratio is about eleven people to one vehicle — with a population of 156 million, that leaves significant room for increasing sales."

Among those taking their expertise into foreign markets with EDC support are Woodbridge Foam Corporation and A.G. Simpson Automotive Inc. (AGS), two privately owned suppliers. "These are two of the top suppliers in the Canadian autoparts industry," says Wiggins. Both have set their sights on becoming the "supplier-of-choice" for their products and services in the global marketplace.

Woodbridge sitting pretty in global markets

With operations in 10 countries, Woodbridge Foam Corporation has a lot of expertise and experience with moving into foreign locations.

"Woodbridge is an unbelievable success story," says Wiggins. "The company has a strong market position in molded foam. If you own a car, you're probably sitting on Woodbridge foam." In fact, Woodbridge innovations may surround you in headliners, dash and seat structures as well.

Twenty years ago, the operation was born out of the polyurethane foam components division of Monsanto Canada Limited. Currently, the Mississauga-based operation boasts about 4,300 employees in 37 locations across North America, Mexico, Germany, the United Kingdom, South America, Australia and Japan.

These days, this award-winning, forward-thinking firm caters to the automotive, specialty consumer and industrial markets, as well as providing "just-in-time" automotive seat assembly, and designing and manufacturing its own equipment for its manufacturing process.

David Stockall, Executive Vice-President and Chief Financial Officer remembers the early days in 1978, when it had one plant and 300 employees in Woodbridge, Ontario. "After our North American expansion in the 1980s, we began to respond to the global philosophy of the OEMs by locating plants in close proximity to customers and utilizing our North American technology," says Stockall. "We go through a process of evaluating market size, competition, financial and risk analysis, as well as doing a detailed analysis of customer requirements. Each location is unique, with its own set of requirements and different degrees of risk."

Stockall also points out, "It's extremely important to understand and adapt to the culture in countries where you elect to operate. One of our solutions is to enter into joint ventures with local firms. We spend a lot of time identifying suitable partners."

Woodbridge's commitment to global expansion means being the low-cost producer in the countries in which it operates. Therein lies the rationale for the firm's strong focus on operating technology and continuous improvement programs, and its ability to recognize local conditions, he says.

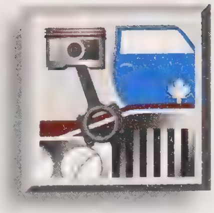
In addition, EDC has been working with Woodbridge Foam in foreign markets, with the aim of providing financing for capital equipment and insurance to protect the company's investments against political risk.

"Financing for export markets can be prohibitively costly and EDC has tailored a credit facility to meet our needs," says Stockall.

Wiggins points out, "For example, the going interest rate in Brazil is about 30 per cent, but we were able to structure a machinery and equipment financing deal that not only reduced the interest rate but also provided Woodbridge with a flexible term to repay the loan."

"We also found EDC's political risk insurance a cost-effective way to protect against restrictions with regards to convertibility of funds and repatriation risks," adds Stockall. "As we continue to expand globally, we will be consulting EDC again and again. I would encourage other automotive parts producers to contact EDC as a source of products and knowledge — preferably up front as opposed to after the fact."

AGS takes "metal bashing" business abroad



AGS does metal stamping of parts and produces sub-assemblies and steel blanks. In fact, it is the North American leader in chrome bumpers. The company came into being 50 years ago, when founder Art Simpson rented 225 square feet to start a repair, and general tool and die business.

Today, the Tier-1 supplier is a $650-million company with more than 3,000 employees in its six Canadian, five U.S. and one Japanese location. Plans are well under way for facilities in Brazil and Thailand.

Rob Simpson, President and Chief Executive Officer (and the founder's son), says the industry is in a significant development stage, fuelled by its current challenges and pressures. AGS is living proof that companies must continue to evolve to remain competitive, adds Simpson. The company's recent collaborative product innovation, the tailored blank, is an example of how AGS is meeting market demands, as is its response to customer requests for global support.

The company's most recent foray is a Brazilian joint venture with a local firm. The planned $130-million plant will supply metal stampings and sub-assemblies to the new General Motors manufacturing complex to be built in Gravatai. "This undertaking clearly establishes AGS as a global supplier," says Simpson, adding that such a reputation can have a positive impact on business in North America. "We're seeing future sourcing opportunities, whether those opportunities arise in North America or in other markets, given to suppliers who have a global presence."

"Nevertheless, globalization is not without risks and challenges, and companies that are considering it need to be well prepared," Simpson

points out. "When evaluating foreign opportunities, we undertake to understand the culture, evaluate the political and economic risks and consider overall how we would mitigate those risks."

Since the company already had a relationship with EDC people through its tool financing program, it was natural to tap into EDC's expertise in foreign markets when the subject of Brazil came up, says Keith Wettlaufer, Executive Vice-President and Chief Financial Officer at AGS. "EDC understands the market, situations best avoided, and the different business culture."

"With their access to market intelligence, EDC people provided important input into A.G. Simpson's decision to go into Brazil," says Wettlaufer. "They also gave us ideas on such issues as how to structure financing, and how to deal with inflationary aspects of the economy. It was free advice, and it was extremely good advice."

The relationship between AGS and EDC began with Wettlaufer's excitement about the tooling program. "Even for a successful company, financing tooling tends to be a tremendous cash burden, because essentially you're providing the capital for the tool shops until the OEM pays us," says Wettlaufer. "EDC's done a great job creating a solution, as well as making sure that everyone's legal and financial position is taken into account. The program has given us the ability to pursue larger programs with more financial flexibility."

Simpson agrees, adding, "We've found EDC people knowledgeable, and professional — and their understanding of the industry has been critical in developing this type of financing."

For Brazil, AGS once again used EDC's tooling program for the portion done in Canada, says Wettlaufer. "Basically, EDC people are receptive to talking about any idea we have in mind — and they've been both innovative and flexible in coming up with ways to help."

Currently, AGS is considering a deal in Mexico, and Wettlaufer is optimistic about investigating possibilities with EDC.

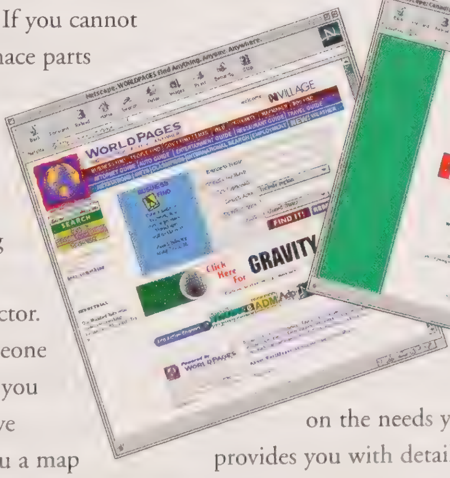
Sifting through the myriad of information on the Internet to find what you need can be time consuming and frustrating. To highlight key areas of interest, we've added this regular column to *Export Wise*, featuring sites that we find useful and expect you may find useful too. In this issue, we are profiling *WorldPages*, *Agri-Food Trade Service Online*, and the *Canadian Environment Industry Association* site.

inter.net.working

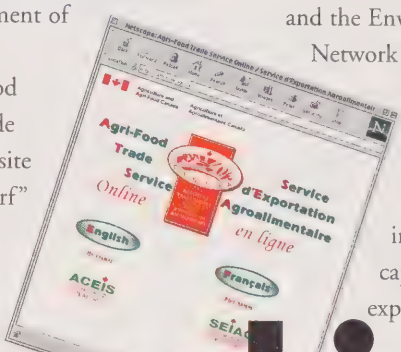
by Michael Schroeter
(contributions by Richard Whitty)

WorldPages
(www.worldpages.com)

WorldPages is an on-line directory that makes it easy to find the people or businesses you need to reach. It allows you to search across Canada and the United States by organization name, personal name, e-mail address or even SIC (Standard Industrial Classification) code. If you cannot remember how "furnace parts and supplies wholesalers" are coded, do not worry: WorldPages has an on-line listing of all codes, broken down by industry sector. Are you visiting someone in a city with which you are not familiar? Have WorldPages draw you a map to print out and take along. A few other handy features include a restaurant guide, entertainment guide and, in case you run into trouble, an attorney guide.



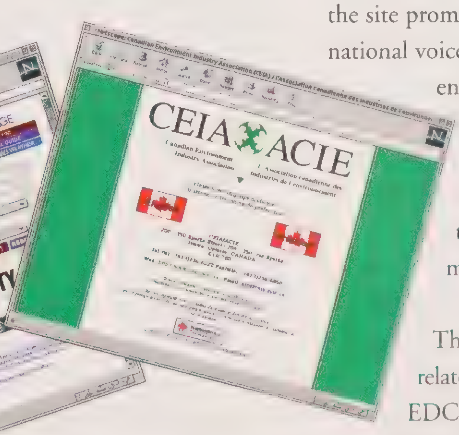
Agri-Food Trade Service Online
(http://atn-riae.agr.ca)



The Department of Agriculture and Agri-Food Canada's trade information site is a "must-surf" for anyone looking for practical information on exporting agriculture and food products. It contains everything from general "How to" guides and government contacts to international trade show information and an on-line library of country market reports. Looking for a foreign buyer? Check out the site's International Business Contacts Database which, based on the needs you define, provides you with detailed listings of suitable foreign distributors.

Canadian Environment Industry Association
(www.ceia-acie.ca)

The CEIA site features two key resources — the National Environmental Exporters Database (NEED) and the Environmental Business Network (EBNet) — which allow the user to search through a wealth of information on the Canadian environmental industry, including the capabilities, geographic experience and business interests of hundreds of export-experienced/ready firms. The site offers timely market intelligence and industry news, a networking/discussion forum, and an extensive calendar of upcoming domestic and international events. Linking together nine provincial associations representing more than 1,500 members, the site promotes CEIA's role as the national voice of the Canadian environmental industry and its core functions of government relations, trade promotion, and member services.



These, and other export-related sites, are listed on the EDC Web site (www.edc.ca). Watch for additional site reviews in our next issue.

Michael Schroeter manages EDC's Web site.

Making claims in the Year 2000 and beyond

by Paul McKenna

While awareness of the "millennium bug" is growing, there is still great concern in the business community about the lack of measures being taken by companies to address and resolve the problem.

EDC is among those companies concerned about the millennium bug, especially as the problem relates to insurance claims. Policyholders need to deal with the Year 2000 problem to ensure that they are able to support their claims. Not only must they be able to continue doing business as usual, but also they must be able to prove a loss with supporting documentation. Plus, the problem is not "just" a computer problem. It affects embedded chips in machinery such as that found on the manufacturing floor, among others. Affected embedded chips may cause machines to fail or to perform in an unexpected manner.

Unfortunately, if a policyholder is unable to fulfil a contract due to Year 2000 complications, a claim would not be payable due to the "Cause Avoidable" clause in the EDC policy. That is, EDC does not insure its clients against their own mistakes. If a company has not dealt with this very well-known problem, EDC is not able to pay losses, since Year 2000-related problems are preventable.

The inability of a policyholder to document a claim due to Year 2000 problems would also result in the inability of EDC to pay out because every insured policyholder, no matter what type of insurance policy it holds, must be able to prove a loss. If the regular documentation such as account histories or invoices cannot be produced to support a loss, then EDC would have nothing upon which to base its decision. The onus is on the insured to prove a loss; it is best to ensure that you can.

Ask yourself the following questions about your business in the Year 2000:

- Will my computer produce invoices? (If you cannot bill them, your clients cannot pay.)
- Will my computer produce a Statement of Account?
- Will my computer produce creditworthiness information, based on my past experience with buyers? (This is a requirement in certain loss situations, if EDC is to pay a claim.)
- Will my computer produce all documentation normally needed to support a claim?
- Will my computer deliver the control required to produce and deliver the goods or services ordered?
- Will my production and communication equipment run in 2000?

In addition to ensuring you have dealt with potential problems internally, be sure to investigate your business partners' Year 2000 strategies. Remember that your buyers must meet the same contractual requirements as you (e.g., to pay your invoices). Any default in payment — including Year 2000 complications — would fall under the insured risk "Non-Payment" and would be eligible for claim consideration.

The best advice: act now, so your company does not suffer from preventable losses.

Paul McKenna is an Officer in EDC's Claims & Recoveries department.

Contract bonding:

Accessing guarantees **without** tying up your cash

by Diane Cousineau

Exporters face constant pressure to deliver the right product or service, at the right price, to the right place. Increasing competition in world markets is also making conditions more and more onerous. Gone are the good old days when a handshake was sufficient to establish a base of mutual agreement and understanding.

Today, foreign buyers frequently ask for guarantees to ensure sellers will meet their obligations, and providing these instruments can make or break an export transaction. Bonding an international contract usually requires a bank guarantee, which is used to secure an exporter's performance, bid, advances or warranty obligations. Unfortunately, the issuance of these instruments can tax your financial resources and affect your ability to pursue a transaction.

Can't bid because of insufficient cash or assets to issue guarantees? Need the tied-up cash to perform? Having temporary cash flow problems? Does this sound familiar to you? It certainly hits home at EDC, because we have heard these comments time and again over the years, not only from smaller businesses but also from larger companies.

EDC has been providing guarantee support for years. Through its Bid Security Guarantee and Performance Security Guarantee (BSG and PSG) programs, EDC facilitates the issuance of guarantees and alleviates associated cash flow problems.

How do BSG and PSG work?

BSG and PSG are insurance policies issued by EDC directly to the exporter's financial institution to protect the bank against any call made on the guarantee by the foreign beneficiary. This policy offers 100 per cent indemnification to the bank. If the bank has to pay, it can turn to EDC for reimbursement. The bank thus benefits from a triple-A rated security provided by a Crown corporation in respect of the exporter's obligation to the bank.

To access BSG and PSG, you must provide EDC with an application signed by you (the exporter), and your bank. We also require full details of the export transaction and corporate information. Because we act as guarantor for you, we need to know your financial, technical and management capabilities. Once satisfied with your capabilities, we ask you to sign an indemnity agreement, premium is paid and the policy is issued to the bank. While we ask a lot of questions, especially when we first establish a relationship with you, it does get easier after the first approach.

To further facilitate this process EDC is currently streamlining the paperwork required, and will introduce a simplified new application, incorporating a revamped indemnity agreement. For most transactions, we will no longer require that you provide legal opinions in respect of these indemnity agreements.

Accessible to all businesses

Company and transaction size are not a factor when accessing EDC's BSG and PSG policies. In 1997, EDC issued 325 BSG and PSG policies (representing about $145 million in guarantees) to

continued on page 10...

Contract bonding

(continued from page 9)

financial institutions in support of transactions by Canadian exporters. Of those supported, more than 85 per cent were smaller exporters. The program can be used to support a wide range of sales, including commodities, raw materials, small and large equipment sales, services and projects.

Both you and your bank can benefit. With EDC backing you, chances are your bank will relax security requirements in most cases, and allow you access to previously unavailable cash. As a result, your credit facilities will be freed up by an amount equivalent to the value of your guarantee. Talk to us and talk to your financial institution — together we can help you.

Other EDC products

EDC has other bonding-related products which can help with your bonding needs. We can provide wrongful call insurance to cover the risk of unfair calling of your bank guarantees, as well as surety support. Future issues of *Export Wise* will introduce these products.

For more information on BSG, PSG and other bonding-related products, contact EDC's regional office nearest you by calling 1-888-332-3777.

Diane Cousineau is Product Manager in EDC's Contract Insurance and Bonding group.

PSG helps get SIAL contract off the ground

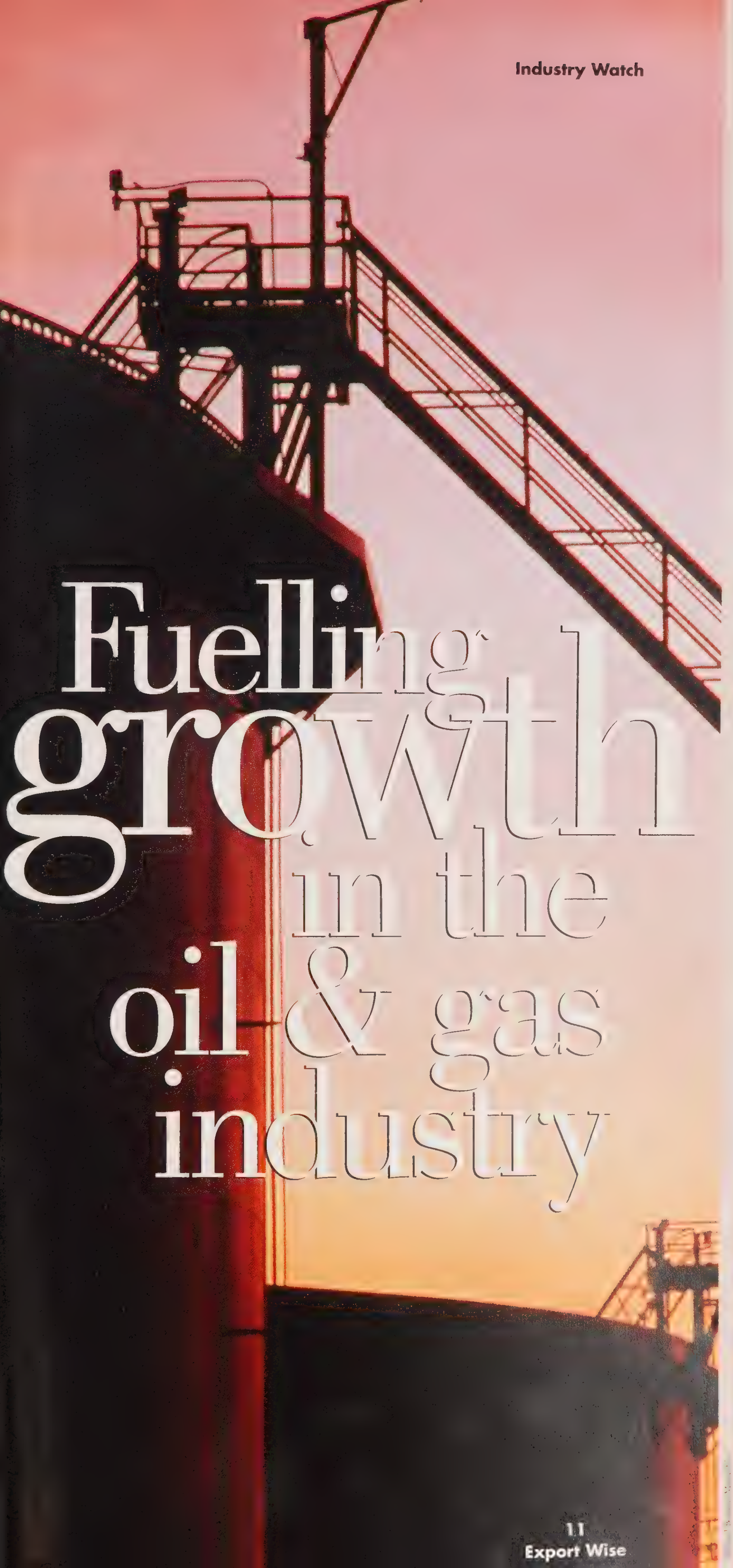
by Diane Cousineau

"Without EDC's help, our transaction would have cratered," says Nathalie Poirier of SIAL Geosciences Inc. Although the Quebec surveying company had won an $850,000 contract in Argentina to provide airborne geophysical surveys, there was a hitch: the contract called for SIAL to provide a $500,000 customs bond to the Department of Public Works in Argentina.

A local surety company issued the bond, but a bank guarantee was required as security. The problem was that SIAL could not afford to tie up its cash flow. Fortunately, through EDC's PSG program, SIAL was able to access the bond it needed without affecting cash flow.

SIAL approached EDC in late December 1997 and a policy was issued to the National Bank of Canada.

When the Argentinians refused the text of the guarantee, EDC's role in the transaction continued. Two EDC team members and National Bank of Canada staff spent New Year's Eve working diligently to resolve the situation. "With EDC backing, we were able to deliver exactly what SIAL needed," says Carole Chevrier, Manager of the International Guarantees and Collections Department at the National Bank of Canada. SIAL submitted the guarantee to Argentina, clinched the contract, and is now doing exactly what it set out to do: aerial surveys.



Fuelling growth in the oil & gas industry

by Cathy Lynch

While Canada remains a net exporter of petroleum products, with almost all product exports going to the United States, there is also increasing emphasis on exploration and production equipment. Key markets include developing countries that need to maintain or expand oil production but find their domestic technical expertise is lagging.

The demand for petroleum products has remained relatively steady among OECD (Organization for Economic Co-operation and Development) countries for several years, yet growth in these countries has slowed because of increased efficiency measures. However, the demand for energy products, particularly petroleum, continues to increase among newly industrialized countries. That said, for Canadian exporters in the oil and gas industry, the strongest growth opportunities lie in exporting to these countries the exploration and production equipment and services they require.

Along this vein, the capital requirements of the international oil industry are projected to reach between $1,100 billion and $1,700 billion in the 10-year period from 1996 to 2005, according to a study prepared by the World Petroleum industry group of Price Waterhouse and the Petroleum Finance Company. Generating demand for capital are national oil companies, developers of major gas and power projects, requirements for new pipelines, and geographic

regions where there is a need to develop the refining capacity.

As the industry evolves, EDC support to Canadian oil and gas exporters is expanding and diversifying. To better enable staff to respond to exporter needs with industry-specific knowledge, skills, products and services, EDC regrouped its resources in May 1998,

"When we participate in financing transactions, we'll take on commercial and political risk for the project in exchange for getting Canadian companies on the bidders' lists."
— Eric Norgren, EDC

creating an Oil & Gas Team to focus on the sector. (See article in *Export News* supplement, page 1.) This new team brings together all of EDC's experience and knowledge of the oil and gas sector. Incorporating staff from EDC's Industrial Equipment and the Engineering and Professional Services Groups, the new team deals both with engineering groups and equipment suppliers — in short, all of EDC's customers in the oil and gas industry.

According to Eric Norgren, EDC's Oil & Gas Team Leader, "When EDC re-engineered along sector lines two years ago, we achieved a better understanding of the sectors, the structures used within the sectors and, as a result, developed greater confidence in our own ability to service the sectors. This allowed us to take on some projects that we would not otherwise have tackled. For example, lending based upon projected cash flow, in cases where we previously might not have had the confidence or experience to make such a lending decision."

"By setting up this new team," says Norgren, "we're focusing increased attention on the oil and gas industry. We've already responded to industry demands by taking risks that a few years ago we would have been uncomfortable taking. As our confidence and understanding of the sector grows, our willingness and ability to handle riskier transactions will increase. Also, we want to establish an ongoing dialogue with the industry to identify how we can further develop our various insurance and financing services to meet industry-specific needs."

Creating opportunities

A key benefit of this sector-specific focus is EDC's ability to take an increasingly proactive role. In addition to helping mitigate risk or meet financial obligations on projects that exporters themselves identify, the new Oil & Gas Team will continue to develop and expand the proactive approach EDC has adopted in recent years. According to Norgren, "EDC is trying to develop a pull strategy. For example, we'll work with foreign oil and gas companies, set up lines of credit with them offering interesting and competitive financing terms, and thus prompt them to look at Canadian companies for supply. The result is that foreign companies will, to some extent, task their engineering people to find Canadian suppliers to buy from, provided that they are price, quality and delivery competitive."

In addition, EDC is being called upon more and more frequently to provide limited recourse financing. "When we participate in financing transactions, we'll take on commercial

and political risk for the project in exchange for getting Canadian companies on the bidders' lists," says Norgren. "Again, this encourages EPC (Engineer, Procure, Construct) contractors to look at Canadian suppliers. The result is that a lot of Canadian companies that might not otherwise receive requests for quotes are getting the opportunity to bid on deals being generated, most often by foreign engineering companies."

According to Norgren, EDC is taking a more proactive approach not only in the oil and gas industry, but also in the power sector, the pulp and paper sector and the mining sector. "We're taking this approach wherever opportunities exist; for example, in industries or markets where there is a lot of privatization going on and there are a lot more limited recourse financing deals being done," says Norgren. "Most often, it's where the government has been involved and is now privatizing the industry or opening it up to other companies because it wants to undertake more projects than it could on its own. EDC's growing involvement in commercial as opposed to sovereign lending, particularly limited recourse lending, is a major innovation for EDC, as well as being a trend in the oil and gas sector."

Privatization remains an issue

However, not all markets are at the same stage with respect to privatization. "The problem is that very strong differences of opinion exist," says Ken Dunn, Relationship Manager on EDC's Oil & Gas Team. "Many countries take a nationalistic position and worry about the costs to society. This conflicts with the views emerging in other countries, particularly in the last three years, toward market-driven decision making."

According to Dunn, even in countries where governments are favouring privatization, the transition takes time. "They need to get the whole process in gear: to determine which deals can proceed and establish a framework. They have to have the legal and regulatory issues settled first." Dunn adds that once privatization is in motion, involving non-government firms in projects can often speed up progress both in terms of completing individual projects more quickly, and in terms of getting more projects under way within a given period of time.

Meeting exporters' needs

EDC customers in the oil and gas sector use a wide range of products and services. In 1997, political risk insurance accounted for more than $595.4 million; financing, including limited recourse financing, accounted for $189.9 million; and credit insurance and bonding accounted for $133.5 million. Top markets in 1997 included Latin America ($676.6 million), Africa and Middle East combined ($96.4 million), Asia Pacific ($78 million), the United States ($36 million) and Eastern Europe ($24 million).

One of EDC's newer products is political risk insurance for banks, where EDC provides political risk cover to a bank that is lending on a project in support of a Canadian supplier. "This helps us work more effectively with some of the banks that are willing to assume the commercial risk, but are unwilling or unable to take on more political risk at a given time," says Dunn. "Thus, it is not uncommon for us to be a co-lender on a project as well as to provide a partial guarantee to a bank for defined political risks."

Another service that EDC is frequently asked to provide relates to exporters' performance bond requirements. Says Dunn, "through EDC's various programs, we are actively involved in working with exporters to mitigate the risks associated with performance guarantees as well as to mitigate the financial impact they can have on an exporter's working capital."

The benefits of EDC's experience are cumulative, says Norgren, not only in terms of the products and services we are able to offer exporters, but also in terms of potential export opportunities. "The more we participate in offshore deals, the more flexible financing we can provide, the better the reputation we develop, and the more we're asked to participate in similar deals by other sponsors. So one successful participation leads to another, which should lead to better opportunities for Canadian suppliers."

Building a presence in Canada & beyond

by Tim O'Connor

It can be difficult for the new kid on the block to succeed, when you don't know anyone and nobody knows you. That is where EDC was able to help this exporter.

"We were an unknown entity when we started our business," says Dale Richards, Director, Attila Dogan Design and Construction Ltd. (ADDC). "As a result, we had to establish ourselves as a reliable company to work with in Canada. We had to secure an impeccable credit rating so suppliers would deal with us. Because we were working with EDC, people knew they could rely on us.

"The other advantage of using EDC, of course, was that our first project could go forward because EDC provided the external financing we needed," says Richards. "Plus, it allowed ADDC to increase exposure in Canada, and to Canadian suppliers."

ADDC is a subsidiary of Ankara, Turkey-based Attila Dogan Construction and Installation (ADCI). ADCI signed a contract with the Electricity Gas Omnibus Authority of Ankara in October 1992 to build a natural gas pipeline, but the project was delayed pending financing by the Italian export credit agency SACE. Ultimately, SACE was unable to provide financing support. So, ADCI set up ADDC in Calgary in 1994, primarily to access EDC financing, having learned about EDC through the Canadian Embassy in Ankara.

In late 1994, ADDC approached EDC for financing and a loan was approved soon after.

Upon receiving EDC financing, ADDC quickly realized the myriad of benefits from doing business in Canada and has worked toward maximizing these benefits. According to Richards, ADDC was set up with three goals. First, to support the project in Ankara. Second, to create relationships with Canadian suppliers through business development opportunities. Third, to continue to look for future work in North America for the AD group. These goals have created benefits and opportunities for other Canadian companies as well.

Encouraging other exporters

"We went out to a number of Canadian suppliers in order to obtain the materials necessary to complete the Ankara project," says Richards. "In many cases, the suppliers had not explored any markets other than those within Canada. By working with us, they were exposed to the exporting world."

Richards continues, "For example, we went to one fittings supplier that, at the time, did not make metric fittings. Having ordered a large supply of metric fittings for this project, it now has the capability to supply many other projects around the world that use metric fittings. Previously, it supplied only projects in Canada and the United States, where metric fittings are not used." Although ADDC is owned by a foreign parent, it is dedicated to using Canadian suppliers, technology and financing.

"While the subsidiary in Canada was set up primarily to get financing from EDC," says Richards, "the AD group of companies was looking to expand into other markets. We looked around the world and decided Canada was a good bet." A bet that has paid off.

For more information, contact Dale Richards at 403-218-8600 or by e-mail at dale@adogan.com. You can also visit ADDC's Web site at www.adogan.com

Export news
A Supplement to **Export Wise**

EDC partners with exporters on China Mission '98

by Alison Nankivell

Participants in Canada's China Mission '98 were among the first foreign delegations to meet with senior government following this year's annual National People's Congress, and gained valuable insight into the Chinese government's new organizational structure and policy priorities.

Led by The Honourable Sergio Marchi, Minister of International Trade, the recent China Mission '98 came on the heels of the Chinese government's annual National People's Congress. During the session, in addition to confirming the promotion of Vice-Premier Zhu Rongji to the position of Premier, the Chinese government outlined an ambitious agenda for reform, including a revamping of the country's banking system and an initiative to streamline and restructure the country's government and bureaucracy.

By accompanying Canadian companies on this trade mission and others, EDC effectively supports Canadian firms with timely advice, while at the same time building its own network of relationships with buyers, borrowers and government players of importance — something that pays off for EDC and Canadian exporters in the long run.

During the Beijing leg of the mission, EDC's representative in China, Anne Whetham, presented Canadian exporters with an overview of some of the financing challenges confronting Canadian companies active in the China market. These challenges include a shortage of local funding, the highly selective review of projects undertaken by state-owned commercial banks, the need to ensure proper approvals, and the difficulty in assessing the creditworthiness of Chinese companies.

The briefing gave members of the Canadian business community an opportunity to learn more about the application of EDC's programs as well as EDC's observations and experience in dealing with risks in the evolving China market. It also gave Whetham a chance to explain the corporation's growing capabilities in forging new partnerships, which will help EDC assess and manage new risks in an increasingly commercialized China market.

In Shanghai, China's premier financial centre, EDC met with regional Chinese banks, key foreign

...continued on page 4

EDC creates nine new sector teams

by Cathy Lynch

If you have worked with EDC in the past month, you may already have been in touch with one of EDC's nine new sector teams launched May 4. These new teams include the *Civil Works & Professional Services Team* and the *Mining & Power Team* (Engineering & Professional Services Group); the *Automotive Team*, the *Machinery & Equipment Team* and the *Oil & Gas Team* (Industrial Equipment Group); the *Advanced Technology Team* and the *Telecommunications Team* (Information Technologies Group); and the *Aerospace Team* and the *Ground Transportation & Shipping Team* (Transportation Group).

Prior to the recent reorganization, the Transportation, Information Technologies, Engineering & Professional Services and Industrial Equipment Groups existed as teams, serving a broad range of customers. These original teams came into being two and a half years ago, and have increased their customer bases by 57 per cent in that time frame. To maintain a manageable customer base in each sector, EDC has created smaller, more focused sector teams.

...continued on page 4

The **Alliance of Manufacturers & Exporters Canada** invites friends and clients of the **Export Development Corporation** to the **3rd Annual Convention for manufacturers, exporters of goods and services and their providers of services**

which will be held at the Westin Hotel in Calgary on October 4-6, 1998. More than 800 key decision makers from private and public sectors across the country will take part in:

- a myriad of networking opportunities;
- exciting and diversified information sessions;
- fact-finding exhibits;
- a Technology Visits Program; and
- an Internet Café.

The theme for this year's event is *"Competitiveness ... We Can Win Globally"*. Plenaries will focus on "*Canada's Competitiveness in Manufacturing, Trade and Services*", "*World Trading Blocks*" and "*Canadian Smartness in Communications*". Several concurrent interactive sessions will take a look at *"Components to Competitiveness and Canada's Strengths and Weaknesses"* and at various aspects of "*(Business and) Communications*". The Opening Luncheon will feature Premier Ralph Klein as keynote speaker.

Spruce Meadows has been selected as the site for another fabulous Opening Event sponsored by the Bank of Montreal. The Presentation of the prestigious Canada Export Awards by The Honourable Sergio Marchi, Minister for International Trade, will again be held in conjunction with the Alliance's annual convention.

For further information, please contact Lori Stone by fax at (613) 563-9218 or via e-mail at Lori_Stone@the-alliance.com

EDC *Appointments*

EDC is pleased to welcome **Peter Allen** as Senior Vice-President and Chief Financial Officer. Mr. Allen has spent more than 20 years as a financial executive, leading the finance organizations of a broad range of Canadian private and public corporations, including NAV Canada and Merisel Canada Inc.

EDC is pleased to welcome **Suzanne Michaud** as Vice-President, Public Affairs Group. Her extensive experience as a communications and public affairs professional includes senior positions with Air Canada, Bank of Montreal, Coopers & Lybrand, and federal and provincial governments in Canada and abroad.

EDC *Board appointments*

EDC is pleased to welcome three new members to its board of directors.

Robert A. Fung is a Senior Partner of Toronto-based Capital West Partners, a group of senior investment bankers, and brings diverse private sector experience to EDC's Board.

Joy F. Kane is Assistant Deputy Minister, International Trade and Finance, in the federal Department of Finance. She brings to her role 20 years of experience as an economist and senior public servant in the Canadian government.

Grace S. White is President and Chief Executive Officer of CanJam Trading Ltd., an international trading company based in Nova Scotia, and holds leadership positions in key trade and business development associations in Atlantic Canada. Her background in international business is a welcome addition to the board.

EDC Direct *to expand options*

by Tim O'Connor
(contributions by Dan Lussier)

Receiving rave reviews from exporters these days is EDC Direct, the on-line credit approval application system created by EDC's short-term Technology and Business Solutions Team (TABS). And there's more to come.

Dramatically decreased turnaround times for credit approvals are the primary reason customers are pleased with EDC Direct. Users receive approvals on credit applications in a matter of hours, as opposed to several days.

"It's slick," says Gary Berger of Great Waters of Canada, a bottled water exporter based in Cambridge, Ontario. "I tend to shy away from new on-line services because they usually have a lot of bugs. We've found absolutely no glitches in EDC Direct."

Using EDC Direct, customers simply fill out an electronic form, send it to EDC's Credit Administration System (CAS) on-line, and the information is input into CAS automatically. If customers fail to include any necessary information on the electronic form, they are automatically notified that this information is missing.

Expanding services

New features planned for EDC Direct in the coming months include enabling customers to receive their credit approval letters on-line and view their outstanding credit approval list, as well as enabling them to submit overdue information on their buyers. In addition, TABS will introduce access to EDC Direct via the Internet in early 1999.

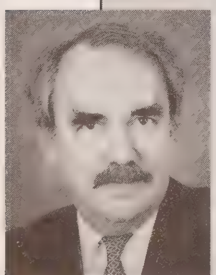
"Our goal is to be able to provide our clients with the ability to do all of their routine policy administration from their own desktop, whenever they want," says Jim Christie, TABS Team Leader. "If they are on a business trip and need to know if they can extend credit to a new buyer, or if they would like to complete their declaration form at 11:00 at night, we want to provide them with the electronic means to fit their policy administration and its risk protection to their business requirements."

"I've used EDC Direct more than 40 times in the past two months and it's easy and fast," says Berger. "The credit approval rolls across the fax about 15 minutes after we file the on-line request. We have distributors in 41 U.S. states and not only do we sleep at night because EDC insures our receivables, but also we can celebrate the addition of a new customer the same evening we ask for a credit approval."

Initially run as a pilot project, EDC Direct was made available to all customers in October 1997. The uptake by exporters has already surpassed expectations. More than 250 exporters signed up for EDC Direct by the end of 1997 (TABS had anticipated 200), and more than 100 are active users.

"Obviously our customers are ready for this type of service and, as more and more financial institutions provide electronic service delivery, it will become standard for all clients," says Christie. "We intend to remain at the forefront of this delivery channel, as it provides better and faster service for our clients. It also helps us maintain our cost-effectiveness so that we can keep our premium rates competitive, which helps keep our customers' costs down too."

Access to EDC Direct is free to all short-term policyholders. For those who do not have a Web browser, EDC will send software to install. Exporters may contact the EDC office in their region by calling 1-888-332-3777 to obtain a user ID and password for signing on.



Obituary

Colleagues were shocked and saddened to learn of the recent death of Toby Price, EDC's Vice-President, Quebec & Atlantic Region. Toby passed away suddenly, at home, on May 8. He will be sorely missed by personal friends and business associates alike.

Prior to joining EDC in June 1992, Toby held a range of high-profile positions within the private banking sector and the federal and Quebec governments. He was with the Bank of Montreal from 1971 to 1985, and was Vice-President and Managing Partner with the Royal Trust Company's Private Banking and International Financial Centre in Montreal from 1988 to 1991. Toby also served as Aide-de-Camp to Governors General Georges Vanier and Roland Michener; Chief of Staff to the Hon. Pierre MacDonald, Quebec Minister of External Trade and Technology; and Chief of Staff to the Hon. Jean Charest, Federal Minister of the Environment.

Some of Toby's personal accomplishments included the recent completion of his Masters of Public Administration (UQAM), and his positions as National President, the Duke of Edinburgh's Awards; Board Member, Bishop's University; and Serving Brother of the Order of Saint John of Jerusalem.

China Mission '98... *continued from page 1*

banks and the country's emerging corporate conglomerates to further expand its network of relationships. In both Shanghai and Beijing, China Mission '98 participants were pleased by the across-the-board atmosphere of openness demonstrated by Chinese government authorities. According to Whetham, "It was as if there were an instruction from Premier Zhu Rongji to stop with the rhetoric and get on with making things work."

Following the mission, EDC extended its stay in Hong Kong to focus on further developing relationships with key international financial institutions which are both potential risk-sharing partners and sources of market intelligence in tackling new risk situations. EDC is also developing its relationships with key project sponsors based in Hong Kong who are undertaking projects representing excellent opportunities for Canadian involvement. These relationships are designed to maintain the visibility of Canada, so Canadian exporters will be top-of-mind when project sponsors in China are sourcing suppliers.

For more information on opportunities in the China market and/or further major events in China, please contact the regional EDC office nearest you by calling 1-888-332-3777.

Alison Nankivell is Regional Manager for China, in EDC's International Markets group.

Teams... *continued from page 1*

Each team will have the same depth of knowledge and skills, as well as the same access to product and country specialists, for which EDC is known and respected. In fact, in many cases, you will find you are dealing with the same EDC personnel, particularly those of you who work with EDC's regional offices. If, however, you are affected by these changes, EDC will be in contact with you and your new Business Development Manager will be properly introduced.

If you have questions or concerns, you are invited to contact the Business Development Manager in your region by calling 1-888-332-3777.

Watch for EDC at these upcoming events:

Event	Date	Location
National Petroleum Show	June 9 - 11	Calgary, AB
Maritime Lumber Bureau Annual Convention	June 10 - 12	Moncton
CanGlass — Canada's Glass and Metal Showcase	June 12 - 13	Toronto, ON
Western Canada Farm Prog. Show	June 17 - 20	Regina, SK
Magic International/WWS Magic	August 31 - September 3	Las Vegas, US
Auto Parts Manuf. Assoc. — Outlook	Fall 1998	TBA
Canadian National Millers Association Conference	Fall 1998	Montebello, QC
Canadian Wood Council	Fall 1998	TBA
Harwood Lumber Manufacturer	Fall 1998	TBA
San Francisco Seafood Show	Fall 1998	San Francisco, US
TFI World Fertilizer Conference	Fall 1998	San Francisco, US
Widman's Conferences (Fall)	Fall 1998	Montreal, QC
Farnborough International Air Show	September 7 - 13	Farnborough, US
Polyurethanes EXPO	September 18 - 19	Dallas, US
Softworld '98	September 20 - 23	St. John's, NFLD
Aerospace Industry Assoc. of Canada [illegible]	September 27 - 29	Ottawa, ON

Claims Paid

January 1, 1998 - March 31, 1998

Companies

181

Claims

330

Cdn $ Total

$11,608,787

Export Markets	Count
Africa & Middle East	3
Asia & Pacific	8
Europe	16
South America	3
U.S.A. & Caribbean	300

Risks	Count
Default	250
Insolvency	72
Call of Bond	1
Repudiation	6
Political and Transfer	0
Termination of Contract	1
Import Permits	0

Payments	Count
Under $5,000	172
Between $5,001 and $100,000	143
Between $100,001 and $1 million	13
Over $1 million	2

Propak turns to EDC for risk management, financing

by Tim O'Connor

In addition to its ongoing risk management support to Propak Systems, EDC provided financing that tipped the scales in Propak's favour on a major overseas project.

Airdrie, Alberta-based Propak Systems Ltd. was up against some stiff competition when it bid on a turnkey gas processing plant for a Bolivian consortium in 1996. Its U.S. competitor was virtually its equal in both price and product, yet Propak got the contract. "In my opinion, the buyer could have gone either way," says Barry Taylor, Propak's Vice-President of Finance and Administration. "The financing deal offered by EDC was definitely a determining factor in us getting the contract."

Propak offers engineering, design, fabrication and maintenance of a wide range of oil and gas processing plant equipment. According to Partrick Dewey, Propak's Vice-President, Technical Sales, the fact that the company can perform all of these functions in-house makes it unique. It also gives Propak more control over quality and project schedule, allowing it to be more flexible in meeting the buyers' needs.

For more than 16 years, Propak has been drawing on EDC's knowledge and services. "Using EDC to help us mitigate risks in international markets has been extremely beneficial," says Taylor. "The barriers that any small exporter faces are political and commercial risks, and this is where EDC is helpful. EDC staff can judge this risk, and provide the appropriate insurance. In addition to insurance, we also look to EDC for knowledge of the markets we are selling into."

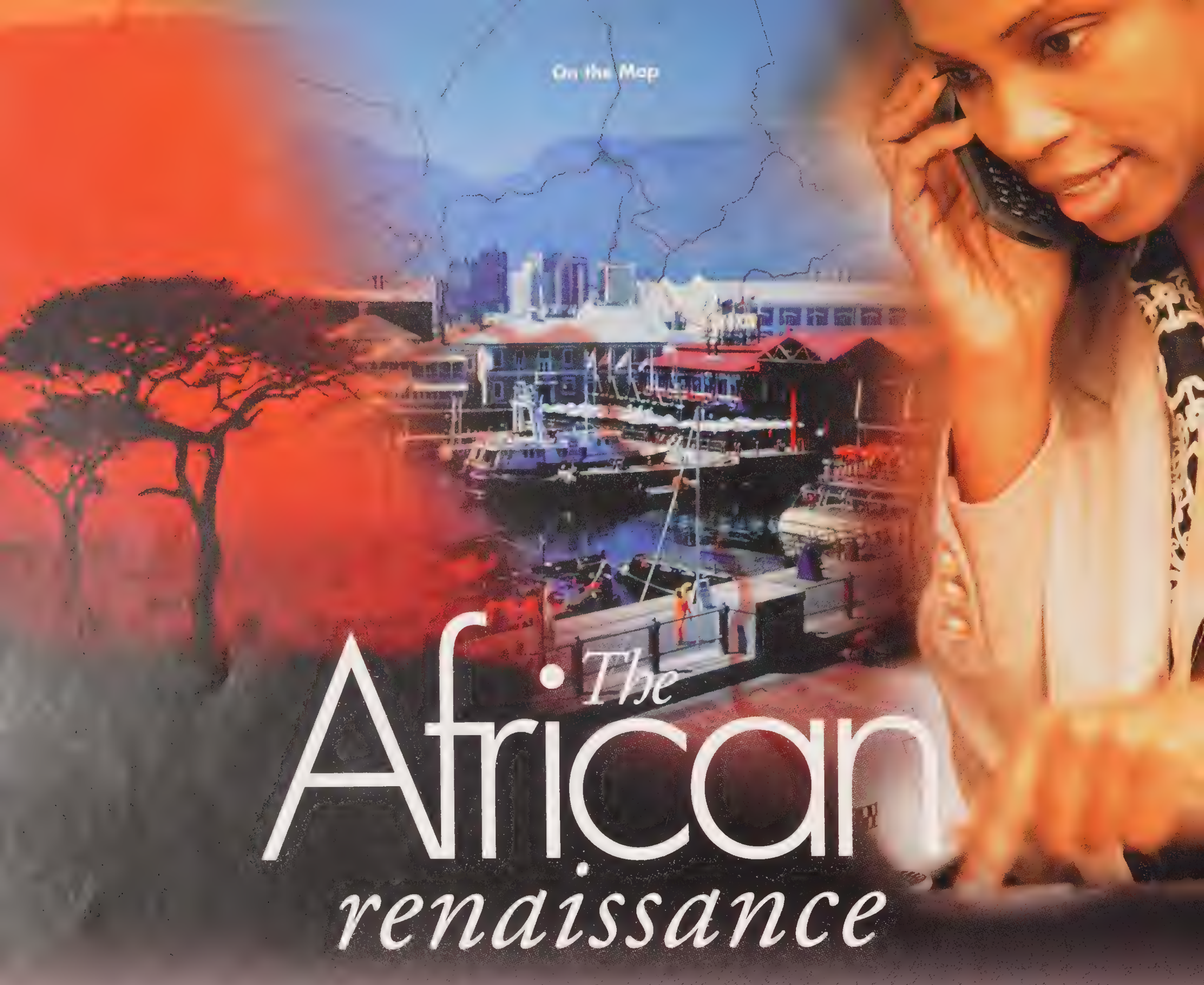
Indeed, much of Propak's business development occurs in offshore markets. While Propak has a strong core of business within Canada, over 70 per cent of its business is done outside Canada and the United States. "We are going to continue to grow and diversify into different markets and products," says Dewey. "And we'll continue to look for EDC support as we promote our business worldwide."

"We have a mixture of markets all over the world," adds Taylor. "Currently, we are pursuing projects in many different places, and we've had quite a few discussions with EDC on the prospect of financing projects in many of the higher risk, emerging markets. EDC support is very important to Propak when developing business, particularly in these regions of the world."

EDC provided financing that helped Propak land the contract for this 70 MMSCFD cryogenic turbo expander plant in Bolivia.

According to Taylor, Propak Systems' international success can be attributed to quality craftsmanship, timely delivery of services and its ability to export with confidence through the use of EDC knowledge and services. "From the outset, when we started actively pursuing international opportunities," says Taylor, "we looked to EDC for assistance."

For more information, contact Patrick Dewey at (403) 912-7000 or by e-mail at pdewey@propak-sys.com



The African renaissance

With a rich blend of traditional and emerging markets, Africa offers tremendous potential in terms of trade and investment. Many of the countries on this continent have heartily embraced commercialization and privatization, opening up business opportunities in such diverse sectors as transportation, telecommunications, information technology, power, engineering and mining — all industries in which Canadian exporters and investors have earned a well-deserved, world-class reputation.

Although each African country is at a different stage in its evolution, the common philosophy they share is that the road to growth and prosperity is paved by open trade, says Tim Askew, EDC Regional Manager for Africa.

"For years, the perception of impoverishment, violence and corruption has overshadowed Africa," says Askew. "While this may still be a reality in some isolated cases today, many of these countries have introduced sweeping bank reforms, privatized many of their industries, and are establishing a much-needed industrial infrastructure. The trade statistics in these countries are very different from a decade ago."

Investment in Africa increasing

Canada's direct investment in Africa was $777 million in 1997, up from $233 million in 1989. Levels are now on par with Canadian investment in Italy ($744 million) and surpass investments in Malaysia, Taiwan, South Korea, Spain and Greece combined ($701 million). In South Africa alone, Canadian investment increased from $37 million in 1992 to $172 million in 1997.

Given these developments, EDC is also showing increasing business in this growing market, says Askew. In 1997, EDC supported $465 million

(9.4 per cent of its non-OECD volume) of business in Africa, comprising $194 million in financing and the balance in political risk and short-term insurance. In sub-Saharan Africa (SSA), volume was $200 million (financing $82.7 million) providing financial services for 141 transactions in 14 countries.

"EDC's total business volume is now more commercial than sovereign and Africa is no exception, particularly in the mining, power and information technology sectors. We view Africa as an emerging financing opportunity where we can support Canadian exporters and investors."

Capitalizing on opportunities

Traditionally, Africa has been a market predominately for Europe, given its strong ties to former colonial powers. Because relationships are so important to doing business in Africa, many felt this tradition would continue.

Africans, however, have been quick to realize the benefits of diversification and are openly courting investment dollars from Canada and elsewhere, says Askew. Efforts are clearly paying off, with a recent six-country tour by the President of the United States, Bill Clinton, and a bill now before U.S. Congress allowing for free trade partnerships between the United States and those African countries judged to be following appropriate economic policies. Canada's Secretary of State (Africa and Latin America) David Kilgour also recently led a mission to further Canadian business interests in the region.

The sectors that offer the most potential for Canadian exporters and investors are those that generate foreign exchange revenues, such as oil and gas, telecommunications and mining. Mining, in particular, is a growth area for Canadian investors, maintains Steve Kerbel, a Financial Services Manager with EDC's Political Risk Insurance (PRI) group, which provides investment protection.

The Rand Merchant Bank (South Africa) estimates that more than 50 per cent of new mining ventures in all of Africa have Canadian participation, and these countries are looking to countries such as Canada to help them unlock further potential.

EDC is considering PRI coverage to support mining deals in African countries such as Tanzania, the Democratic Republic of Congo and Burkina Faso. This is the first time EDC has had multiple transactions in the works requiring this insurance to the mining sector in sub-Saharan Africa.

"These transactions represent about $200 million of potential exposure to support $750 million in potential business, which is an indication of how much activity is being generated in this one sector alone. We're evaluating each transaction on a case-by-case basis," adds Kerbel.

Although there is fierce competition, especially among Americans, Canadians and Australians, this same competition creates equal potential for co-operation and partnerships. "The mining concessions are huge and even the larger multi-national companies are glad to partner with others to spread the risk around," says Kerbel. "Canadians have had international exposure in developing markets such as South America. There is no question they are ready to take on this challenge." Also, EDC has provided PRI, and is considering future exposure in the oil and gas sector in some West African countries.

Just as EDC's PRI can give Canadian investors peace of mind when doing business in Africa, so can EDC's short- and medium-term insurance give Canadian exporters confidence. "In 1997, EDC issued insurance policies in more than 20 African countries," says Johane Séguin, EDC's Regional Manager for Africa.

"Some African markets offer an excellent opportunity for Canadian exporters of goods and services to grow their business," says Séguin. "Short- and medium-term insurance programs are there to protect the exporter against underlying credit risks. However, given that some of the countries are in political and economic transition, it is still difficult to judge what the future will hold. We will continue to carefully monitor developments in order to assess the relevant risks of each export transaction."

Unlocking Canada's potential

Nonetheless, Canadians are in a unique position to capitalize on opportunities in Africa for a number of reasons, says Séguin. "Canadians are well regarded in this area of the world. We're not tainted with the colonial brush. We have strong cultural and language ties with francophone and anglophone African nations. Plus, we've provided strong aid support over the years and have developed a reputation for being honest and experienced business partners."

It is also beneficial that many of the continent's young entrepreneurs have been sent to Canada to study, giving them a unique understanding and appreciation of Canadian business ethics and culture.

"Doing business in Africa requires a long-term commitment and patience," observes Séguin. "Relationship building is key to doing business here, so establishing a local presence is essential. This includes using a local representative who has the contacts, understands the business and social culture and knows how to get things done. It's the small things that can make a difference."

Adopting a regional approach

Askew recommends taking a similar approach to that taken by Canadian entrepreneurs in Asia Pacific. "Traditional trading patterns in Africa transcend current geopolitical boundaries. It is helpful, therefore, to look at trade opportunities in natural regional groups instead of looking at trade in the distinct countries," he says. "By taking a regional approach, the true potential of trade with Africa becomes apparent. For example, SSA as a single market would include more than 700 million people."

Exports to SSA were more than $776 million in 1997, ranking just behind Canada's exports to Indonesia ($788 million) which is the world's fourth most populous country and Canada's 16th largest trading partner. Exports to these African Lions also ranked ahead of exports to other Asian Tigers, including both Thailand ($463 million) and Malaysia ($680 million).

"The regional approach can produce economies of scale and help attract additional investment dollars. For example, South Africa's attraction for Canadians is its modern infrastructure, recent social rebirth, and well-established economic links which penetrate across the African continent. Once you have established strong business ties in South Africa, you can use this experience as a gateway to other sub-Saharan countries," says Askew.

> "Relationship building is key to doing business here, so establishing a local presence is essential."
>
> *— Johane Séguin, EDC*

He points to Zimbabwe as a country where Canadian firms can capitalize on the country's low crime rate, functioning infrastructure, educated work force and centralized location as a springboard to the Southern African countries. Ghana and Côte d'Ivoire can also serve as gateways because of their stable democratic government and regional leadership.

To better serve smaller exporters, EDC has established lines of credit with four financial institutions in South Africa, as well as with the Ministry of Finance. EDC is also working closely with several African banks in assessing and structuring transactions.

Transportation deal takes off

Kenton Freitag, a Financial Services Manager on EDC's Aerospace Team, recently worked with an EDC team on a financing deal supporting the sale of six Canadair regional jets by Bombardier to a regional airline in South Africa. EDC acted as the senior debt partner, partnering with two South African banks.

"The largest regional airline on the continent is now using 50-passenger Bombardier Canadair regional jets and operating profitably, and customer acceptance is high," says Freitag. "As well, its pilots are now certified to fly this particular type of aircraft, and they will assist in spreading Bombardier's growing reputation and reach on this continent."

Freitag was very satisfied by his business experience in South Africa. "I was impressed with the quick turnaround on a complex deal. The airline was exceptionally professional and pleasant to deal with. South Africa has a first-class transportation infrastructure and the airline is poised to be a key part of it."

Askew concludes, "We're not saying Africa is a risk-free market. However, Canadians are looking more and more to Africa as the trade and investment frontier of tomorrow. We are encouraging exporters to explore its potential and EDC is here to help mitigate the risks involved."

African countries at a glance

South Africa

Population: $44.6 million
GDP per capita: US$2,905
GDP growth:
2.0 per cent (1998 IMF forecast)
Inflation:
6.5 per cent (1998 IMF forecast)
Canadian exports: $213.9 million
Canada's market share:
0.5 per cent
Current account balance:
US$-1.4 billion (1998 IMF forecast)
Reserves (months of imports):
1.9 (1998 IMF forecast)

EDC's position:

Short-term — Open without restrictions
Medium/long-term — Open, subject to an overall exposure guideline
Political Risk Insurance — Open

Canadian opportunities:

Aviation, telecommunications, information technology, power, engineering and mining.

Who to contact:

Jean-Pierre Hamel,
Senior Trade Commissioner
Canadian Trade Office
Tel.: (011-27-11) 442-3130
Fax: (011-27-11) 442-3325
e-mail: canada@iafrica.com

CIDA Bilateral Program

Stephen Hallihan, Program Manager
Southern Africa Division
Tel.: (819) 994-0252
Fax: (819) 953-6379

CIDA INC

Louis Verret, Program Manager
Africa and Middle East
Tel.: (819) 997-2069
Fax: (819) 953-5024
e-mail: louis_verret@acdi-cida.gc.ca

DFAIT

Kapil Madan
Trade Commissioner
Eastern and South Africa Division
Tel.: (613) 944-8134
Fax: (613) 944-7487
e-mail:
kapil.madan@extott02.x400.gc.ca

EDC

Contact the EDC regional office nearest you (see listing, inside back cover) or EDC's Regional Manager for Africa, Tim Askew, at (613) 598-6619.

Ghana

Population: 17.5 million
GDP per capita: US$446
GDP growth:
5.6 per cent (1998 IMF forecast)
Inflation:
25 per cent (1998 IMF forecast)
Canadian exports:
$73.6 million
Canada's market share: 2.8 per cent
Current account balance:
US$-0.3 billion (1998 IMF forecast)
Reserves (months of imports):
2.6 (1998 IMF forecast)

EDC's position:

Short-term — Open on a case-by-case basis
Medium/long-term — Open, subject to an overall exposure guideline
Political Risk Insurance — Case-by-case

Canadian opportunities:

Telecommunications, mining, transportation, power, waste management, and oil and gas.

Who to contact:

C. Michael Siewecke
Trade Commissioner
Canadian High Commission
Tel.: (011-233-21) 228-555
Fax: (011-233-21) 773-792
e-mail:
siewecke.michael@accra01.x400.gc.ca

DFAIT

Robert LeBlond, Trade Commissioner
Western and Central Africa Division
Tel.: (613) 944-0396,
Fax: (613) 944-3566
e-mail:
robert.p.l.leblond@extott02.x400.gc.ca

CIDA Bilateral Program

Jonathan Caldicott,
Senior Development Officer
Africa and Middle East Branch
Tel.: (819) 977-1330
Fax: (819) 953-9454
e-mail: jonathan_caldicott@acdi-cida.gc.ca

CIDA INC

André Cliche, Program Manager
West and Central Africa
Tel.: (819) 997-7904
Fax: (819) 953-5024

EDC

Contact the EDC regional office nearest you (see listing, inside back cover) or EDC's Regional Manager for Africa, Johane Séguin, at (613) 598-2762.

The changing face of the Middle East & North Africa

With a combined population of close to 261 million, the MENA region is becoming an increasingly important target market for Canadian investors and exporters. Canada's exports to the region were more than $2.8 billion in 1996, and increased 10 per cent in 1997. North Africa is Canada's largest export market for goods and services to the African continent and service exports to the Middle East are estimated to be in excess of $500 million a year.

"Today, most Middle East and North African (MENA) countries are focusing on achieving a high and continuous rate of economic growth," says Ihab Tadros, EDC's Regional Manager for Middle East and North Africa. "As a result of reforms designed to achieve this end, economic growth is rising, inflation is slowing, and the region is accumulating larger foreign exchange reserves.

"Now, several sovereign and corporate borrowers have attained favourable credit ratings; in fact, many MENA countries are rated at investment grade," adds Tadros. "Moreover, the private sector in several MENA economies is coming to the forefront, while the public sector is more inclined to assume a supporting role."

This translates to more opportunities for Canadian exporters than ever before, particularly in countries such as Egypt and Morocco, and the member states of the Gulf Cooperation Council (which continues to enjoy enormous buying power despite the drop in oil prices).

"There is a strong indication that all of these markets would like to diversify their sources of imports, particularly in the areas of power generation, telecommunications and high-tech equipment, all areas where Canadian products are recognized as leading edge," says Tadros.

For its part, Canada is showing a growing interest in the region, evidenced by the missions led by the Department of Foreign Affairs and International Trade and Industry Canada to raise Canada's profile and reinforce its relations with these countries.

Moving from aid to trade

"Medium- and long-term financing is becoming an increasingly important tool to support large-scale projects in the telecommunications, power and transportation sectors. However, some of the MENA countries relied on aid from Europe and North America in the past, which limited their ability to buy from other countries," says Tadros. "Now, with their rapidly improving economies, the shift is moving from aid to trade, allowing them more freedom to source from other areas, creating important opportunities for Canadian exporters."

Given the changing budgetary situation in most of these countries, Canadian exporters are now being asked to provide their buyers with financing solutions to help them purchase goods and services. "EDC can play a pivotal role in this respect," emphasizes Tadros, "and we will consider the structure that best meets the needs of the transaction."

In 1997, EDC provided $259 million in financing support to the region, up from $16 million in 1996; in addition to financing, EDC also provided $439 million of insurance support to the region in 1997.

"The importance of finding the right agent cannot be over-emphasized. The right agent is a fundamental building block for success in these markets."

— Ihab Tadros, EDC

Abraham Fox, a member of EDC's Financing Group, recently completed EDC's first limited recourse finance deal in Qatar. "Because this was a new market for us, I really didn't know what to expect," says Fox. "I was pleased that it went so smoothly, considering the number of parties and the fact that it involved structuring and assessing a project with significant commodity risk. The deal was straightforward and was concluded in 16 months."

EDC was a co-lead arranger with Bankers Trust and Bank Paribas, underwriting $70 million of a $350-million debt financing, on a $670-million project to build a MTBE plant for production of a gas additive used in gasoline octane. The deal involved a diverse group of sponsors, including the Qatar General Petroleum Corporation, two Taiwanese companies (Chinese Petroleum Corporation and Lee Chang Yunk Chemical Industry Corporation) and International Octane Limited. EDC is now pursuing additional business in this market.

Fierce competition

One of the challenges of doing business in this part of the world is the fierce competition from the Americans and Europeans who are well established in these markets and understand how to do business there. "Relationship building is imperative to doing business in the Middle East and North Africa," says Tadros. "The social side is as important as the business itself. It's a market that requires a great deal of patience and the resources to support your efforts over the long term. The Americans and the Europeans understand this and have laid down solid foundations for future growth."

Where Canadians have a decided advantage, however, is Canada's world-class reputation. "Many of these countries suffered from colonialism and wars — in which Canada was not involved. Canada is known as a peace-loving nation and an honest trading partner," maintains Tadros. "We are also home to a large

immigrant population from this region, who are now in decision-making positions at all levels and sectors throughout the Canadian business community."

Local agents play essential role

Canadian exporters looking to capitalize on these opportunities are encouraged to use local agents, Tadros says, for they play an essential role in arranging for entry and exit visas, obtaining quick access to key decision makers, and handling logistics. "The importance of finding the right agent cannot be over-emphasized. The right agent is a fundamental building block for success in these markets."

Tadros suggests, as a first step, that exporters visit the country to investigate the market, and talk to trade commissioners at the Canadian embassies in Saudi Arabia and Kuwait. The trade commissioners can provide exporters with a list of qualified agents in a particular business sector.

Exploring opportunities

The sectors offering the greatest opportunities for Canadian exporters include telecommunications, transportation, environmental technologies, agriculture, biomedical technologies, and power generation and transmission.

Saudi Arabia and Iran remain Canada's two principal markets in the Middle East with $478 million and $624 million, respectively, in exports last year. Priority sectors in these markets are oil and gas, telecommunications, transportation, energy and engineering services.

"Of growing importance to Canadian exporters is the shift in markets following the Gulf War. There has been a rapid growth in exports to the United Arab Emirates and Oman. Egypt, Lebanon, Morocco and Tunisia are increasingly targeted by Canadian companies which are familiar with the region and aware of significant opportunities for construction, energy and telecommunications products and services," says Tadros.

While the peace process continues to lag, and corrective measures taken after a slump in the economy following six years of strong growth resulted in a GDP growth rate of only two per cent in 1997 and a projected 2.5 per cent for 1998, the prospects for Israel are still considered favourable.

"This economy has shown resilience in the past. Consequently, EDC is open without restrictions in its short- and medium-term insurance, as well as its political risk insurance which provides long-term protection (up to 15 years) against specific political risk such as transfer of funds," says Tadros. "Again, the opportunities for Canadians include those sectors in which Canada traditionally excels: engineering and professional services, industrial equipment, information technology and transportation."

Commodities and semi-finished products such as wheat, milk powder, peas, lumber, sulphur, asbestos and newsprint account for 70 per cent of all Canadian exports to North Africa. The other 30 per cent is made up of manufactured goods and engineering services in the following sectors: oil and gas, telecommunications, transportation, financial and management services, high-tech and environment.

North Africa's economic development hinges on the oil and gas sector, which provides a major share of revenues and offers great potential for Canadian business. However, there is still a strong demand for Canada's traditional exports such as cereals and paper products, Tadros says, which exporters can use as a springboard to other sectors.

"There is no question that the opportunities in the Middle East and North Africa are generally untapped by Canadian business. There are several large projects opening up possibilities for exporters; for example, the Toshka irrigation scheme in Upper Egypt; the East Port Said project which is to turn the northern entrance of the Suez Canal into a hub port; the mass transit system planned for Casablanca; and the Liquified Natural Gas development projects in Qatar.

"Several countries in the region are clearly open for business and welcome Canadian involvement to help support their drive to become market-driven economies. The key is to develop the relationships today that will help to build the export opportunities of tomorrow," concludes Tadros.

Addition ▢ Deletion ▢ I.D. #________ *(as it appears in upper left corner of your mailing label)*

Name ____ Title ____

Company Name ____ Telephone ____

Address *(please include full address)*

Change ▢ From: To:

Name ____ Title ____ | Name ____ Title ____

Company Name ____ Telephone ____ | Company Name ____ Telephone ____

Address *(please include full address)* | Address *(please include full address)*

ice

Help us better understand your needs.

Language preference
- English
- French

You are... (choose one)
- E1 currently exporting
- E2 not exporting
- E3 considering exporting

Export volume (choose one)
- V1 Less than $1 million
- V2 $1 million to $5 million
- V3 More than $5 million
- V4 Not applicable

▢ I would like an EDC account manager to contact me.

4.8 per cent (1998 IMF forecast)
Canadian exports:
$173.7 million (1997)
Canada's market share: 0.7 per cent
Current account balance:
US$-1.4 billion (1998 IMF forecast)
Reserves (months of imports):
14.0 (1998 IMF forecast)

EDC's position:
Short-term — Open without restrictions

Power-generating machinery, telecommunications equipment and high-tech equipment.

Who to contact:
Canadian Embassy in Egypt
Mr. Douglas Paterson
Counsellor (Commercial/Economic) & Consul
Tel.: (011-20-2) 354-3110
Fax: (011-20-2) 354-7659

Fax: (819) 953-5024

DFAIT
Georges Lemieux
Tel.: (613) 944-6847
Fax: (613) 944-7975

EDC
Contact the EDC regional office nearest you (see listing, inside back cover) or EDC's Regional Manager for the Middle East and North Africa, Ihab Tadros, (613) 598-2713.

Morocco

Population: 28 million
GDP per capita: US$1,315
GDP growth:
5.0 per cent (1998 IMF forecast)
Inflation:
3.0 per cent (1998 IMF forecast)
Canadian exports:
$184 million (1997)
Canada's market share: 1.6 per cent
Current account balance:
US$-1.0 billion (1998 IMF forecast)
Reserves (months of imports):
5.0 (1998 IMF forecast)

EDC's position:
Short-term — Open without restrictions
Medium/long-term — Open, subject to overall exposure guidelines

Political Risk Insurance: Open

Canadian opportunities:
Oil and gas, telecommunications, high tech, agriculture, agri-food, water management, financial and management services. Canadians have an added advantage in this market of being able to provide service and North American technology in the French language.

Who to contact:
Canadian Embassy in Morocco
Mr. Zouhair Kanouni/
Ms. Najat Benyahia
Commercial Officer
Tel.: (011-212-7) 67-28-80
Fax: (011-212-7) 67-21-87

CIDA INC
Yves Périer
Tel.: (819) 994-4432
Fax: (819) 994-0251

DFAIT
Brigitte Léger
Tel.: (613) 944-5987
Fax: (613) 944-7431

EDC
Contact the EDC regional office nearest you (see listing, inside back cover) or EDC's Regional Manager for the Middle East and North Africa, Ihab Tadros, (613) 598-2713.

Lines of credit & export financing

EDC has many types of export financing facilities to simplify the purchase of Canadian goods and services by buyers in export markets.

These facilities fall into two broad categories: supplier credit financing and buyer credit financing.

One example of supplier credit financing is a note purchase agreement. Under such an agreement, EDC purchases from an exporter a series of promissory notes issued by a foreign buyer to the exporter upon the sale of goods or services.

Buyer credit financing includes direct loans and lines of credit. Direct loans are a financing arrangement between EDC and a buyer, or a borrower on behalf of a buyer, for a predetermined transaction. Loans usually involve large transactions with long repayment terms.

Lines of credit are a streamlined form of financing in which EDC lends money to a foreign bank, institution or purchaser, which then onlends the necessary funds to foreign purchasers of Canadian goods and services. Interest rates, repayment terms and other details are prearranged between EDC and the foreign borrower, which speeds up turnaround time. Transactions supported under lines of credit are usually valued at between US$50,000 and US$5 million. EDC currently has 43 lines of credit, providing one form of access to export financing for buyers in some 23 countries.

Listed below are the details and contacts for the lines of credit which exporters have found most useful.

It is important to note that:

- **EDC's financing and insurance services extend beyond countries in which EDC has established lines of credit.**
- **These lines of credit are one of several ways in which EDC will do business in these markets.**
- **If you are thinking about exporting but have never used one of EDC's lines of credit, it is wise to contact EDC as early as possible.**

For more information on how EDC export financing can help you close a deal abroad, contact the regional office nearest you.
(Refer to the contact list on the inside back cover.)

Categories

Overseas Area Code = 011
1 - Borrower
2 - Signing amount
3 - Repayment terms
4 - Buyers' contact with borrower
5 - Borrowers' contact in North America

Lines of Credit

Mexico, Central & South America

Andean Pact – Bolivia, Colombia, Ecuador, Peru and Venezuela

1) **Corporación Andina de Fomento (CAF)**
2) US$70 million
3) 10 years
4) Mr. Fernando Infante
Capital Markets Group
Tel.: 582-209-2283
Fax: 582-209-2329

Dr. Hernán Escudero M. (Bolivia)
Tel.: 591-243-1333
Fax: 591-243-2049

Ms. Liliana Canale (Colombia)
Tel.: 571-313-2311
Fax: 571-313-2787

Mr. Alfredo Solarte (Ecuador)
Tel.: 593-222-4080
Fax: 593-222-2107

Mr. Ernesto Aranibar Q. (Peru)
Tel.: 511-221-3566
Fax: 511-222-0968

Mr. Ricardo Ehrsam
Public Sector (Venezuela)
Econ. Blanca Olivo, Private Sector
Tel.: 582-209-2486/2379
Fax: 582-209-2433

Argentina

1) **Banco Francés**
2) US$10 million
3) 2, 3, 5 or 7 years
4) Mr. Fernando Sola
Regional Manager
North America and Asia Pacific
Tel.: 541-346-4326/4000 (ext. 1893)
Fax: 541-346-4337

1) **Bridas S.A.P.I.C.**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Pablo M. Ferrari
Financing Department
Tel.: 541-310-4332
Fax: 541-310-4367

1) **Industrias Metalúrgicas Pescarmona S.A.I.C. (IMPSA)**
2) US$15 million
3) 3 semi-annual installments
4/5) Mr. Claudio Troglia
Director of Purchasing (Pittsburgh)
Tel.: 412-344-7003 (ext. 21)
Fax: 412-344-7009

1) **Telecom Argentina Stet-France Telecom S.A.**
2) US$45.2 million
3) 3 to 8.5 years
4) Mr. Mario González, Manager/
Ms. Christel Maulhardt, Analyst
Trade Finance Operations
Tel.: 541-968-3612/3614/3068
Fax: 541-312-9472

1) **Telefónica de Argentina S.A.**
2) US$50 million
3) 3 to 8.5 years
4) Mr. Raul Rolandi
Deputy Director Financial Services
Tel.: 541-325-0190
Fax: 541-325-1920

1) **Total Austral S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Alain Petitjean
Financial Controller
Tel.: 541-346-6400
Fax: 541-346-6499

1) **YPF, S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Enrique Waterhouse/
Ms. Dora E. Acosta Vásquez
Tel.: 541-329-5685
Fax: 541-329-5685

Argentina, Brazil, Colombia and Uruguay

1) **BankBoston**
2) US$25 million
3) 2 to 8 years
4) Mr. Julio Laffaye
Trade Finance Manager
International Services (Argentina)
Tel.: 541-346-2112
Fax: 541-346-3209/343-7303

Mr. Carlos Martins (Sao Paulo)
Tel.: 5-511-249-5622
Fax: 5-511-249-6430

Mr. Damián Donnelly (Bogotá)
Tel.: 571-313-3481
Fax: 571-313-3536

Mr. José Baniela (Montevideo)
Tel.: 598-296-0127
Fax: 598-296-2209

5) Mr. Hugo Owen
Vice President (Boston)
Tel.: 617-434-3107
Fax: 617-434-1188

Brazil

1) **Banco do Brasil**
2) US$25 million
3) up to 5 years
4) Mrs. Rosana Porto Feirosa
Tel.: 55-11-3066-9021
Fax: 55-11-3066-9029

1) **Petrobrás**
2) US$15 million
3) up to 5 years
4) Mr. Carlos Alberto Massena Barbosa
Tel.: 5-521-534-1454/1457
Fax: 5-521-534-4278

1) **Unibanco – Uniâo de Bancos Brasileiros**
2) US$15 million
3) 2, 3, 4 or 5 years
4) Ms. Silvia Nucci
Manager International Relations/
Ms. Patricia Urbano
Manager, Corresponding Banking
Tel.: 5-511-867-1684/4321/1900
Fax: 5-511-815-4484/814-0528/867-1689
5) Mr. Durval Araujo (New York)
Tel.: 212-207-9426
Fax: 212-754-4872

Mr. Marcos Pereira (Miami)
Tel.: 305-372-0100
Fax: 305-350-5622

Colombia

1) **Banco Cafetero**
2) US$10 million
3) up to 8.5 years
4) Mr. Luis Hernando Manrique
Head Special Lines Department
Tel.: 571-341-1511 (ext. 3700)
Fax: 571-284-2097

1) **Cementos del Caribe**
2) US$5 million
3) up to 5 years
4) Mr. Ernesto Ritzel
Head Special Lines Department
Tel.: 575-355-9829
Fax: 575-355-9829

EDC is prepared to provide its full range of financing programs to the following institutions in Colombia as specific transactions arise. Please call EDC for information on the appropriate contacts at the respective institutions:

Banks
For large/small transactions:
Banco de Bogotá, Banco de Colombia, Banco Ganadero and Instituto de Fomento Industrial
For smaller transactions:
Banco Comercial Antioqueño, Banco del Estado, Banco de Occidente, Banco Industrial Colombiano and Banco Unión Colombiano

FINANCIAL CORPORATIONS
Corfinsura and Corfivalle

OIL AND GAS
Ecopetrol

Honduras, Costa Rica, El Salvador, Guatemala and Nicaragua

1) **Central American Bank for Economic Integration (CABEI)***
2) US$20 million
3) 5 years
4) Mr. Jorge Kawas
(Tegucigalpa, Honduras, Headquarters)
Tel.: 504-228-2208
Fax: 504-228-2135

Lic. Ronald Martínez Saborío (Costa Rica)
Tel.: 506-253-9394
Fax: 506-253-2161

Ing. Francisco José Ramírez Cuadra (El Salvador)
Tel.: 503-260-2244/2245
Fax: 503-260-3276

Lic. Jorge Mario Diaz Rosal (Guatemala)
Tel.: 502-331-6821
Fax: 502-331-1457

Ing. Roger Arteaga Cano (Nicaragua)
Tel.: 505-266-4120 to 4123
Fax: 505-266-4143/4125

* CABEI is closed to new projects in the public sector/Government of Nicaragua.

Mexico

1) **Banca Serfin, S.A.**
2) US$20 million
3) 5 years
4) Mr. José Carrassó Arnaiz
Vice-President, International Division
Tel.: 525-512-1009
Fax: 525-625-5613
5) Mrs. Paloma Healey
Tel.: 416-360-8900
Fax: 416-360-1760

1) **Bancomer, S.A.**
2) US$75 million
3) 5 to 8 years
4) Ms. Cecilia Sáenz y Sáenz
Vice-President, Import Financing
Tel.: 525-621-3861/3491
Fax: 525-621-4758

1) **Banco Nacional de Comercio Exterior, S.N.C. (Bancomext)**
2) US$125 million
3) 5 to 10 years
4) Ms. Rosa María Solís
Vice-President
International Banking, North America
Tel.: 525-327-6051
Fax: 525-327-6076/6077
5) Mr. Marco Espinosa
Trade Commissioner of Mexico (Toronto)
Tel.: 416-867-9292
Fax: 416-867-1847

1) **Banco Nacional de México, S.A. (Banamex)**
2) US$125 million
3) 5 to 10 years
4) Ms. Carmen Trujillo
Comercio Exterior
Tel.: 525-720-7076
Fax: 525-720-7313

1) **Banco Nacional de Obras y Servicios Públicos, S.N.C. (Banobras)**
2) US$20 million
3) 5 to 8 years
4) Lic. Abelardo Bravo Herrera, Gerente
Operaciones Bancarias Internacionales
Tel.: 525-723-6000
Fax: 525-723-6235

1) **Comisión Federal de Electricidad (CFE)**
2) US$30 million
3) 5 to 8 years
4) Mr. Ranulfo Matus López
Credit Operations Department
Tel.: 525-286-6859
Fax: 525-286-1456

1) **Hylsa, S.A. de C.V.**
2) US$20 million
3) 5 years
4) Mr. Manuel Moguel, Treasury
Tel.: 528-328-1220
Fax: 528-328-1885

1) **Nacional Financiera, S.N.C. (Nafin)**
2) US$28 million
3) 5 to 8 years
4) Mr. Jorge Muñoz Cuevas
Manager Bilateral Financing
Tel.: 525-325-7022/7023
Fax: 525-325-6496

1) **Petroleos Mexicanos (Pemex)**
2) US$50 million (under negotiation)
3) 5 to 10 years
4) Lic. Guillermo Christy Vera
Associate Managing Director of Finance
Tel.: 525-250-6478
Fax: 525-254-1896

1) **Teléfonos de México, S.A. de C.V. (Telmex)**
2) US$35 million
3) 3 to 7 years
4) Mr. Gustavo León Méndez, Treasury
Tel.: 525-222-1153/1154
Fax: 525-203-5972

Peru

1) **Banco Wiese Ltdo.**
2) US$15 million
3) 2 to 5 years
4) Mr. Eduardo Lizarzaburu Cuba
   Financing Intermediation Division
   Tel.: 511-428-6000
   Fax: 511-426-9414
5) Mr. Javier Román
   Tel.: 511-426-6231
   Fax: 511-428-3163

Venezuela

1) **BARIVEN, S.A./Petróleos de Venezuela, S.A. (PDVSA)**
2) US$50 million
3) 2 to 8.5 years
4) Mr. Jesus Bello
   Finance Manager
   BARIVEN, S.A. (Caracas)
   Tel.: 582-201-4761
   Fax: 582-201-4605
5) Mr. Philip Lemon
   Trade Financial Analyst
   PDVSA Services, Inc. (Houston, Texas)
   Tel.: 281-588-6400
   Fax: 281-588-6287

Africa & Middle East

Algeria

1) **Banque Algérienne de Développement (BAD)**
2) US$100 million
3) 3 or 5 years
4) Mr. Sadek Alilat
   Director
   Tel.: 213-2-677-583/4/5
   Fax: 213-2-674-241

1) **Sonatrach**
2) US$70 million
3) 3 or 5 years
4) Mr. Mohamed Kerkebane
   Director
   Tel.: 213-2-746-272/746-209
   Fax: 213-2-746-256

Ghana

1) **Ministry of Finance and Economic Planning**
2) US$20 million
3) up to 10 years
4) Mr. Emmanuel Darko
   Director
   International Economic Relations Division
   Tel.: 233-21-665-920
   Fax: 233-21-667-069
5) High Commission of Ghana to Canada in Ottawa
   Tel.: 613-236-0871
   Fax: 613-236-0874

Israel

1) **Bank Hapoalim B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Yona Rosenberg
   Foreign Trade Department
   Tel.: 972-3-567-3424
   Fax: 972-3-567-4548

1) **Bank Leumi Le-Israel B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Liorah Tidhar, First Vice-President
   Trade & Project Finance
   Tel.: 972-3-514-7373
   Fax: 972-3-514-7865

1) **United Mizrahi Bank Limited**
2) US$10 million
3) 3, 5 or 7 years
4) Mr. Chana Chefer
   Foreign Trade Department
   Tel.: 972-3-567-9011
   Fax: 972-3-567-9028

South Africa

1) **First National Bank of Southern Africa Limited**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Steve Smith
   Manager, Export Credits
   Tel.: 011-371-6665
   Fax: 011-371-7255

1) **Impofin (Pty) Limited**
2) US$15 million
3) up to 8.5 years
4) Mr. Leon Potgieter
   Deputy General Manager
   Industrial Development Corporation of South Africa Ltd.
   Tel.: 011-269-3266
   Fax: 011-269-3121

1) **Nedcor Bank Ltd.**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Yianni Puorovllis
   Manager, International Finance Unit
   Tel.: 011-630-7851
   Fax: 011-630-7146

1) **The Standard Bank of South Africa Limited**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Gerald Nolan
   Senior Manager, International Finance
   Tel.: 011-636-5062
   Fax: 011-636-3181

Tunisia

1) **Ministry of International Cooperation and Foreign Investment**
2) US equivalent of Cdn$100 million
3) up to 10 years
4) Mr. Abdelhamid Bouhawala
   Tel.: 216-1-798-522
   Fax: 216-1-799-069

Europe

Turkey

1) **Turk Eximbank Export Credit Bank of Turkey**
2) US$50 million
3) 3 to 7 years
4) Mr. Ertan Tanriyakul
   Finance Manager
   Tel.: 312-417-1300
   Fax: 312-425-2947

Ukraine

1) **State Export Import Bank of Ukraine**
2) Cdn$20 million
3) 3 to 10 years
4) Ms. Tetyana M. Kutzova
   Head of Department
   Tel.: 380-44-228-0261
   Fax: 380-44-229-8082
   Telex: 131258 RICA

Asia & Pacific

China, People's Republic of

1) **Bank of China**
2) US$200 million or its equivalent in Cdn. or other acceptable foreign currencies
3) up to 10 years
4) Ms. Zheng Lin
   Project Manager
   Credit Business Department
   Tel.: 86-10-6834-7518
   Fax: 86-10-6834-2111
   Telex: 22254/22289 BCHO CN

1) **Bank of Communications**
2) US$25 million
3) up to 10 years
4) Ms. Liu Ganghua
   General Manager
   Credit Department
   Tel.: 86-21-6275-1234 ext. 1941/1942
   Fax: 86-21-6275-6224

1) **China Construction Bank** *(previously People's Construction Bank of China)*
2) US$100 million
3) up to 10 years
4) Ms. Ying Chunzi
   Project Manager
   International Department
   Tel.: 86-106-851-5273
   Fax: 86-106-851-5285

Contacts

EDC SEE

Head Office
151 O'Connor
Ottawa, Canada
K1A 1K3

Tel.: (613) 598-2500
Telex: 053-4136
Fax: (613) 237-2690
Internet: http://www.edc.ca

Smaller exporters can contact our team of specialists for companies with annual export sales of up to $1 million at

1-800-850-9626

If your export sales exceed $1 million annually, call any one of EDC's regional offices at

1-888-332-3777

Western Region

Glen Hammond
Regional Vice-President

Vancouver Office
Suite 1030
505 Burrard Street
Vancouver, British Columbia
V7X 1M5
Tel.: (604) 666-6234
Fax: (604) 666-7550

Ray Johnson
Business Development Manager

Winnipeg Office
Commodity Exchange Tower
Suite 2075
360 Main Street
Winnipeg, Manitoba
R3C 3Z3
Tel.: (204) 983-5114
Fax: (204) 984-0163

Lewis Megaw
Business Development Manager

Calgary Office
Home Oil Tower
Suite 606
324-8th Avenue S.W.
Calgary, Alberta
T2P 2Z2
Tel.: (403) 292-6898
Fax: (403) 292-6902

Bruce Stanton
Business Development Manager

Edmonton Office
Suite 905
10010-106th Street
Edmonton, Alberta
T5J 3L8
Tel.: (403) 495-2286
Fax: (403) 495-2346

Karen Goss
Business Development Manager

Ontario Region

Ruth Fothergill
Regional Vice-President

Toronto Office
Suite 810
150 York Street
P.O. Box 810
Toronto, Ontario
M5H 3S5
Tel.: (416) 973-6211
Fax: (416) 862-1267

David Little
Business Development Manager

London Office
Suite 1512
148 Fullarton Street
London, Ontario
N6A 5P3
Tel.: (519) 645-5828
Fax: (519) 645-5580

Laura Gainer
Business Development Manager

Quebec & Atlantic Region

Montreal Office
Suite 4520
800 Victoria Square
P.O. Box 124
Tour de la Bourse
Montreal, Quebec
H4Z 1C3
Tel.: (514) 283-3013
Fax: (514) 878-9891

Jacques Lacasse
Business Development Manager

Halifax Office
Purdy's Wharf Tower II
Suite 1410
1969 Upper Water Street
Halifax, Nova Scotia
B3J 3R7
Tel.: (902) 429-0426
Fax: (902) 423-0881

Graham Coade
Business Development Manager

Moncton Office
International Trade Centre
1045 Main Street
4th Floor, Unit 103
Moncton, New Brunswick
E1C 1H1
Tel.: (506) 851-6066
Fax: (506) 851-6406

Charles Gaudet
Business Development Manager

Other organizations that help exporters

Department of Foreign Affairs and International Trade
InfoCentre
1-800-267-8376

BDC

Business Development Bank of Canada
1-888-463-6232

Canadian Commercial Corporation
1-800-748-8191

Alliance of Manufacturers and Exporters Canada
(613) 238-8888
(416) 798-8000

Northstar Trade Finance
(604) 664-5828

Published by Export Development Corporation

Export wise

Fall/October 1998

Tech treks

Boom times U.S.A.

Formerly EDC TODAY

Export wise

Fall/October 1998

From the President

The environment comes to the forefront

3

Focus on Smaller Exporters

Wading through the risks of the U.S. market

4

Inside Track

Inter.net.working
Canadian Advanced Technology Alliance, PROFITguide

6

Avoiding Y2K credit risks

7

Contract bonding
Accessing surety bonding capacity; Innovitech: Virtual reality meets financial reality

8

Twenty years of consensus

10

Global auto industry
Tier 2s gear up for world markets

12

Industry Watch

Tech treks

13

Company profiles:
Vortek, ATI, Newbridge, TIW

17

On the Map

Asia update

21

Boom times U.S.A.

24

EDC Listings

Lines of Credit

28

Contacts

31

Export News

(Insert)

•

Strong mid-year results

•

Speedier financing for exports to Mexico

•

And more…

Editor Toby Herscovitch

Desktop Design/Editorial Assistant
Deborah Chapman

Creative Direction & Production
Mantle & Overall Communications

Film & Printing
The Lowe-Martin Group

Contributors
Cressida Barnabe, Brenda Brown, Jean Cardyn, Deborah Chapman, Diane Cousineau, Peter Cowan, Todd Evans, Maria Forde, Rod Giles, Paul Hamelin, Toby Herscovitch, Julian Karaguesian, Chantal Lalande, Gord Lovasz, Dan Lussier, Tim O'Connor, Michael Schroeter, Brenda Stewart, Judith Whitehead, Richard Whitty and Bonita Williams

Translation
Maguy Robert and Anne Tanguay

Advisory Board
Andrew Douglas, Patrick Doyle, Luc Dupont, Peter Foran, Ruth Fothergill, Kevin Harris, Glen Hodgson, Suzanne Michaud, Keith Milloy and Kurt Rufelds

Export Wise is published four times a year by EDC's Corporate Communications Department.

EDC 151 O'Connor Street
Ottawa, Canada K1A 1K3
Tel.: (613) 598-2500
Fax: (613) 237-2690
Telex: 053-4136
Internet: http://www.edc.ca

Export Development Corporation (EDC) provides a full range of trade finance services that helps Canadian exporters and investors do business in 200 countries, including higher-risk and emerging markets. Founded in 1944, EDC is a Crown corporation that operates as a commercial financial institution.

The editor welcomes signed letters of comment on articles that appear in **Export Wise** or on events and issues related to the Canadian export industry. Letters may be edited to meet the magazine's style and space requirements.

All dollar amounts indicated in the magazine are in Canadian dollars unless otherwise specified.

Cover photo: ©Keith Ballinger/Masterfile

Be sure to visit EDC's Web site at http://www.edc.ca

*Ce document existe également en version française sous le titre **Exportateurs avertis**.*

The environment comes to the forefront

A. Ian Gillespie
President and
Chief Executive Officer

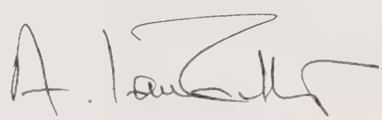
For my first message in Export Wise, I would like to tell you about an important undertaking at EDC aimed at strengthening our environmental policies and practices. We believe it will go a long way in helping our customers deal with the ever-widening spectrum of environmental challenges and opportunities abroad.

EDC is currently developing a formal framework for assessing the environmental risks of projects we support. A diverse range of views and expertise is going into this new framework because we realize the importance of striking an equitable balance between export competitiveness and environmental conservation. This framework will build upon our current environmental assessment practices for projects, to help safeguard the high standards of environmental protection expected by Canadians, while ensuring that exporters are not unduly hindered from competing internationally.

We recently retained a leading environmental consultant to advise us on the framework. Consultations are now underway with customers, government representatives, business organizations and other stakeholders. The new framework should be ready for roll-out early in 1999.

EDC is also taking an active lead on environmental issues at the Organization for Economic Cooperation and Development (OECD). By helping build an international consensus among export credit agencies (ECAs) on this matter, we can promote Canadian values and ensure that Canadian exporters are not disadvantaged. The OECD recently issued a Statement of Intent covering officially supported export credits and the environment. The Statement recognizes the desirability for ECAs to strengthen environmental considerations in risk assessment practices. Members are encouraged to share information on how these practices and principles are applied to individual projects.

Beyond the new framework and OECD activities, EDC is working on other fronts to promote Canada's strengths in environmental technologies. We are actively exploring ways to build upon the $600 million support the corporation provided to Canadian exporters of environmental products and services over the last three years. Many Canadian firms are gaining recognition abroad for water and waste management, energy conservation, process-related prevention technology and more. EDC is committed to taking Canada's global greening technologies to the world.



Wading through the risks

by Cressida Barnabe

"It looked so easy when we first decided to export (bottled) water to the United States," says Julia Berger, Director of Distributor Services, Great Waters of Canada.

"We knew we had a quality product, we did credit checks on customers, and we thought we had the right buyers in place. It turned out by the time we had been in the market for three weeks, $30,000 had already gone down the drain. It's lucky we had deep pockets. It's lucky we found EDC."

> "Not only do we have peace of mind, but we also have a huge advantage being covered by EDC. Our bank advances funds against our EDC-covered receivables automatically and that makes growth much easier."
>
> **Julia Berger, Great Waters of Canada**

Like Great Waters, a bottled-water supplier based in Cambridge, Ontario, many first-time Canadian exporters see the U.S. market as the logical place for growth because of the similar business environment and proximity. While the United States holds a wealth of opportunities for small- and medium-sized enterprises (SMEs), it is also one of their riskiest markets. In 1997, the United States remained the highest risk market for EDC customers (based on percentage of insurance claims).

Last year, just under half of EDC-backed SME exports went to the United States, yet 85 per cent of insurance claims under EDC's small business program originated from that market.

Crossing the border with confidence

Overall, the vast majority of EDC customers are SMEs. In 1997, this translated to 87 per cent of EDC's customer base, or 3,243 companies doing $4.8 billion in export business in more than 130 countries. EDC helps these businesses manage the risks associated with building export relationships across the ocean or south of the border.

"EDC knows that your company's strength is its product or service, not necessarily analyzing foreign buyers or markets. That's why EDC has a dedicated team of specialists who understand your business, the trends, international market conditions, and how quickly things can deteriorate with your buyers, even in such a supposedly safe and familiar country as the United States," says Kurt Rufelds, Director, EDC's Emerging Exporters Team.

EDC's export receivables insurance provides exporters with coverage for 90 per cent of the loss if the buyer doesn't pay. When you insure your export receivables with EDC, the bank is more likely to increase your operating line of credit which helps you keep up with the demands of a growing business. EDC can't make exporting risk-free, but it can manage the risks so that you can manage your business.

"Without EDC, our export business may not have made it into the second year," says Great Waters' Berger. "EDC gave us and our banker a level of comfort that wouldn't have been there otherwise. Our rapid growth was due to our ability to focus on marketing and not worry constantly about our receivables."

of the U.S. market

Turning sink to swim: lessons learned

Entering the export market is not foolproof. Lessons are often learned the hard way.

"Follow the market, don't try to lead it, is among many lessons EDC has helped teach us," says Berger. EDC also helped Great Waters wade through other market realities including:

- good brokers are hard to find;
- if price is your only selling point, start over;
- 100 small customers are better than one big one;
- you know more about your business than the consultant you hired; and
- only quality products survive in the marketplace.

*Wherever you operate in Canada, you can talk to one of our specialists about our export insurance and financing services by calling **1-800-850-9626** from Monday to Friday during regular business hours. Call today to export with confidence and expand your business success.*

Whetting your export thirst

Canadian exporters looking to enter the U.S. market will benefit from a program called New Exporters to Border States (NEBS). NEBS is designed to introduce Canadian companies, which are not yet exporting, to markets in the U.S. border states. As well, NEBS Plus was recently launched to help more experienced exporters check out markets in other U.S. regions.

Both programs provide an essential guide to exporting, including trade information and first-hand exposure to U.S. markets, through missions that last from one to three days. The trips are often planned around trade shows, giving participants an in-depth view of a specific business sector.

During the mission, exporters are briefed on the export services and programs available from Canadian and provincial governments. Exporters visit local U.S. markets, meet with wholesalers, retailers, Canadian consulate trade officers and potential agents or distributors.

EDC has sponsored and participated in several NEBS missions. "They provide EDC with an excellent opportunity to introduce exporters to our services for small business," says Hal Miller, Director, EDC's Emerging Exporters Team.

"Exporters see the U.S. market as a key to their export success. NEBS gives them the tools and the knowledge to take the first step. EDC is there to help them succeed."

*Canadian incorporated companies that do not yet export to the United States on a regular basis are eligible for the NEBS program. As well, Canadian exporters to the United States with sales of less than $2.3 million can join NEBS Plus missions. For more information about these and other government export services, call the toll-free Team Canada Inc. Export Information Service at: **1-888-811-1119**.*

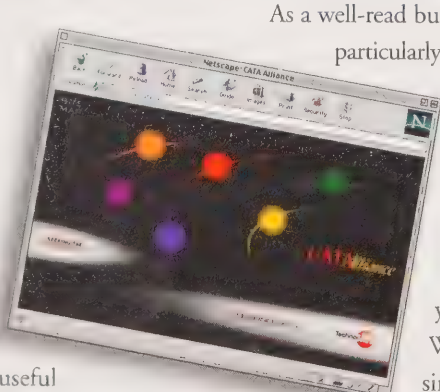
Have you visited a good site lately? To help you sift through the myriad of information on the Internet, *Export Wise* regularly features Web sites that you may find useful. Here we profile *Canadian Advanced Technology Alliance* and *PROFITguide.* These and other sites helpful to your business and export needs are also listed on the EDC Web site (www.edc.ca).

inter.net.working

by Michael Schroeter

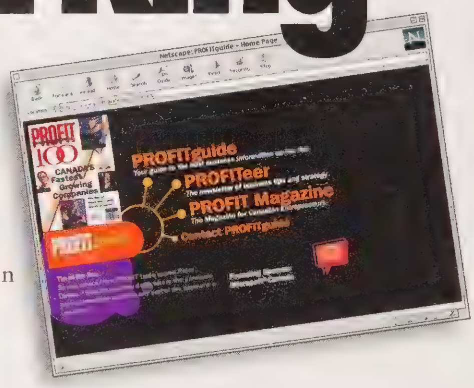
Canadian Advanced Technology Alliance (CATA) (www.cata.ca)

In keeping with the high-tech focus of this issue, CATA's Web site may be of interest to companies in the advanced technologies industry. The Alliance defines itself as "a results-driven national trade association, comprising over 1,000 'new economy' enterprises. The common purpose that unites the membership is CATA's commitment to members' business growth."



Users will find plenty of useful information on CATA's site, such as a monthly profile that showcases its members' products and services; a news and events schedule to keep visitors informed on what's happening in the industry; and an advocacy section that outlines how the Alliance, on behalf of Canada's advanced technologies industries, is identifying, prioritizing and addressing issues that will help in "advancing the business environment for high-tech growth and more jobs and revenues for Canada's 21st century economy."

Finally, building on its strategic partnerships with industry service providers — such as KPMG, Midland Walwyn and digIT Interactive — the site features a "Business Tools" section to help CATA members find solutions to common human resources, finance and investment, operation and production, and marketing and sales challenges they may be facing.



PROFITguide (www.profitguide.com)

As a well-read business person, particularly of a small- or medium-sized enterprise, you've probably leafed through Profit Magazine occasionally. Now you can visit the Web site. Nice and simple, this low-load site is made up of three main sections, PROFITguide, PROFITeer, and PROFIT Magazine.

PROFITguide provides users with links to other business-related Web sites. Each hyperlinked site is listed by category (e.g. banking, marketing, human resources, technology), given a brief summary and rated on its performance and content. PROFITeer is the site's free bi-weekly newsletter, providing examples of what has worked — and what hasn't — for other successful small businesses. If you like, you can have the PROFITeer newsletter sent directly to your e-mail account. You can also browse through PROFIT Magazine — not the whole thing, but most of it anyways. Full articles from current and past issues, which you can search using key words, are available on-line.

There's even an Entrepreneur Test aimed at measuring your "go-it-alone" spirit. It gives you a score and, based on your answers, provides links to archived articles that may be of use to you.

Michael Schroeter manages EDC's Web site.

Avoiding Y2K credit risks

by Gord Lovasz

Seller beware: customers could become delinquent or actually default in their payments because of Year 2000 problems within their own systems or those of their customers and/or suppliers. This can pose credit risks for EDC and its customers.

Since EDC's business is risk-driven, the credit risk associated with the Year 2000 problem is of particular interest. Will a borrower's ability to repay a loan or a foreign buyer's ability to meet regular payment obligations be impacted by this problem?

Consider the following scenario. A medium-sized U.S. company, Widget-Wiz (WW Co.) assembles, you guessed it, widgets. The widgets consist of several electronic modules, each of which is crucial to the operation of the equipment. The modules are manufactured by several firms, therefore WW Co. is dependent on all these firms to turn out widgets. Similarly, the suppliers to Widget-Wiz may have suppliers of their own that contribute to the manufacturing of the electronic modules.

ABC (Canada) Co. manufactures one of the electronic modules used to make the widgets. It has landed a lucrative contract to supply these components to WW Co.. Before proceeding with the transaction, it would be wise for ABC Co. to understand what, if any, exposure Widget-Wiz has to the Year 2000 problem and how serious that exposure might be. It should also determine how well WW is dealing with those risks.

Why is this important? WW could have direct exposure to a Year 2000 problem from its internal systems or computer-controlled processes. If it is not aware of the problem and/or is not doing anything to correct it, the company might experience disruptions that could severely impact its cash flow or even lead to business failure. WW Co. may also be indirectly affected by a Year 2000 problem experienced by one (or more) of its critical suppliers. If the latter experiences severe disruptions due to the Year 2000 problem (i.e. cannot deliver components or goes out of business), this would impact WW's delivery commitments. Any of these problems would also affect WW's ability to meet its financial commitments — including paying ABC Co. for the electronic modules. Each of Widget-Wiz's suppliers in turn relies on its own suppliers in order to make the modules that it sells to WW Co. and so on.

On the other side of the coin, the buyers of the widgets may also experience business disruptions due to the Year 2000 problem, impairing their ability to pay for the product in a timely fashion, if at all. This would also have a negative impact on WW's cash flow. Since this is a known problem and therefore an avoidable risk, a thorough determination of Year 2000 exposure is important when doing a credit risk assessment.

This is the reason that an investigation of the supply chain (both upstream and downstream) is so essential when determining Year 2000 risks. We are in the process of determining our own internal exposure to the Year 2000 problem and have undertaken many projects to correct non-compliant computer applications, software and hardware. Even office infrastructure equipment (e.g. telephone system, elevators, security system) has been surveyed and upgraded/replaced, where necessary, to be ready for 2000.

One analyst predicts that Year 2000 problems will create a 1% risk that any given Fortune 500 company fails, a 3% risk of failure for any small firm and a 5 to 7% risk for any mid-sized firm.

We want to ensure that this problem does not affect our ability to serve our own customers. We must also determine the Year 2000 readiness status of our major customers, business partners, vendors and suppliers. It is in everyone's best interest to contribute to the awareness of this problem whenever and wherever we can.

Gord Lovasz is a Senior Business Analyst in the Information Systems Division. Since 1997, he has been managing EDC's Year 2000 project.

Contract bonding:

Accessing **surety** bonding capacity for export contracts

by Jean Cardyn

Exporters bidding on public and private sector contracts are often asked to guarantee their performance with surety bonds. Getting these bonds issued on time and in the amount you need can be critical in sealing a deal.

Surety bonds are used extensively in North America and increasingly in other parts of the world, notably South America. In the United States, these instruments are required on all public sector jobs, and on many private sector transactions. While surety bonds are mostly used in the construction industry, they are now increasingly required in the manufacturing sector and to guarantee supply and service contracts in different industries.

Can't get a bond issued for lack of an established surety bonding line or one that covers export contracts? Can't get surety bonding support because the contract is in a non-traditional sector? Collateral required to secure the surety bond is tying up cash needed to complete the job?

EDC is well aware of these issues and has established a program that works with the surety industry to help you access the bonding support you need.

How can EDC help meet your surety needs?

EDC can provide reinsurance to your surety company to establish or expand your bonding capacity. Over the past few years, EDC has established reinsurance agreements and has cooperated with various commercial surety companies to facilitate the issuance of surety bonds on international sales.

By providing reinsurance, EDC helps your surety company increase the bonding support that you need. We can cover contracts in areas which are outside the traditional focus of the surety industry, such as the high-tech sector, supply and service, and more difficult markets. Reinsurance may also be used to replace or reduce the collateral required by your surety company and to support contracts that are longer than what the industry normally undertakes.

How does EDC provide surety bonding support?

EDC's role is to complement the established surety market through reinsurance, rather than competing as a direct surety bond provider. As a reinsurer, EDC expects the commercial surety company to provide some support on its own and we will reinsure it for the balance, often up to 85 per cent of the bond value. As a reinsurer, EDC relies on the surety company's expertise in underwriting and managing the transaction, including application processing, bond issuance and claims management.

How can I access EDC support?

Before EDC steps in, your broker should identify a surety company that can provide bonding support with EDC reinsurance. The surety company would then contact EDC and we would make all necessary arrangements directly with it. Any indemnity or other security arrangement, as well as payment of premiums, would usually be arranged by the surety company directly with you.

What if I cannot find a surety company to help me?

In this case, you could contact EDC directly and we might be able to assist you. While we prefer to work with a surety company that has a direct relationship with you, if you cannot find the required support, we may consider underwriting a transaction on our own account. However, since special licences and authorizations are usually required to issue bonds in any jurisdiction, our ability

Continued on page 11...

Innovitech:
Virtual reality meets financial reality

by Jean Cardyn

Innovitech's services deal in part with virtual reality. But in the real world, the company relied on EDC's surety support to make a dream project come alive.

Innovitech, a high-tech strategic consultant, recently landed an exciting international project, and the biggest one in its seven-year history. In 1997, the Montreal-based company signed a contract with Parque Expo 98 S.A. in Lisbon, Portugal for the turnkey supply of a virtual reality theme pavilion for Lisbon's international exhibition. Although a relatively small firm, with 34 employees and revenues of approximately $6 million in 1997, Innovitech had developed a solid reputation in its field.

The contract, worth over US$13 million, called for the design, supply, installation, systems integration and operation during EXPO 98 (May 22 to September 30) of the virtual reality facility. Attractions included a shuttle, submarine, artifact room and teleport, each displaying computer-generated content on advanced virtual reality hardware to take visitors through the undersea ruins of a lost civilization.

The catch: the contract had a very tight schedule and required a surety bond valued at more than US$9 million.

"Without EDC support, this project would just not have happened," says Stéphane Le Bouyonnec, Vice-President and General Manager of Innovitech.

Innovitech had not dealt with a surety company before and the sector in which it operated made this very difficult. Although the transaction was large for the size of the company, and would be considered high risk for normal underwriting standards, EDC reviewed the company's technical, managerial and financial capabilities to complete the project, and agreed to support it.

Since EDC is not licensed to issue bonds in Portugal, we had to work through an established surety firm in that market. We got in touch with AIG, which had the bond issued by its subsidiary in Portugal. Overall, the project was very challenging. Thanks to the efforts of everyone involved, including Innovitech's Canadian suppliers and AIG, everything went smoothly. The virtual reality pavilion was among the most popular attractions at the exhibition!

20 years of consensus: A time to celebrate and to recreate

by Bonita Williams

OECD (Organization for Economic Cooperation and Development) Consensus members recently marked the 20th anniversary of export credit rules of engagement. Encouraged by EDC, the group is moving towards more flexible export credit guidelines that better reflect burgeoning global trade.

EDC has unique status as an export credit agency (ECA) with a private sector mentality. Our healthy bottom line lets us deliver more flexible and creative financing solutions. This approach provides Canadian exporters with a competitive advantage in today's global markets.

It is this very competitive advantage that gives other OECD export credit agencies cause for concern. Like EDC, most of them are government-owned institutions set up to provide support for their nations' exporters. Unlike EDC, most view themselves as lenders or insurers/guarantors of last resort. They take on only those risks that are untenable for private markets. They rely on multilateral export credit rules, rather than commercial or market sense, to limit the costs of their programs to taxpayers. And they are concerned that EDC's commercial approach may erode the disciplines that they have come to rely on, disturbing the so-called "level playing field" in government-backed export credits.

At OECD discussions, EDC is a vocal advocate of modernizing the export credit guidelines (known as Consensus) to better reflect changes in the marketplace over the past two decades. We argue that the rules need to make commercial sense. For example, we object to a repayment structure linked to per capita income of countries when ECA business is moving from sovereign risk to commercial risk. We believe that structures more restrictive than what the private market provides are to no one's advantage.

In EDC's view, ECAs exist to correct market deficiencies, that is, to fill gaps in trade financing. But this gap filling function is very different in markets where private capital is flowing freely than where there is little private appetite for risk. EDC strives to be the kind of flexible, forward-looking financial institution that is ready and willing to share risks with private participants, based on market conditions.

At the same time, we remain sensitive to the potential of ECAs to distort trade where private capital is not readily available — in these cases, we acknowledge that the Consensus rules work well to prevent subsidy-based competition among government-backed ECAs.

Today, a set of flexible rules that promotes more commercial discipline in all ECAs is within the grasp of the OECD group. Beginning with new rules to prevent tied aid (financial aid to buy goods and services from the donor country) for commercially viable projects, to the recent agreement on more flexibility in project finance transactions, the OECD group appears prepared to accept the challenge that global markets (and EDC) have laid out for it. On behalf of Canadian exporters, EDC will continue to lead the charge.

New flexibility for project financing

The OEDC Consensus group recently reached an agreement on more flexible rules for supporting project finance transactions. The new rules just took effect on September 1, 1998 and are initially running, on a trial basis, for three years.

By providing for loan repayment terms that match the revenue-generating capacity of projects, the new agreement better reflects market conditions and represents an important stride in official export credit support. The more flexible rules are expected to increase ECAs' involvement in financing private

sector projects, and to mitigate their risks.

The new rules include:

- flexibility for setting a project's grace period (maximum 2 years), repayment profile and maximum repayment term (14 years); the latter is subject to a maximum average repayment life of 5.25 years in the best OECD markets and 7.25 years in non-OECD markets; and
- minimum premium fees (coming into effect April 1, 1999), which will reflect any increase in the average repayment life of the project.

The participants also agreed to prior notification of all project finance transactions concerned, subject to the constraints of commercial confidentiality.

Further information about the new guidelines are available through EDC's regional offices (see Contacts on inside back cover).

Bonita Williams is an advisor on EDC's International Relations Team.

Contract bonding

...continued from page 8

to support you will obviously be tied to our finding a locally-licensed surety which can issue the bonds with full indemnity or reinsurance from EDC. In exceptional circumstances, EDC may consider issuing the bonds directly if permitted to do so in the local jurisdiction.

What information will EDC require?

Our information requirements are very similar to those of commercial sureties. Since we are guaranteeing your commercial obligations, we will need to be comfortable with your company and the underlying transaction risks.

Generally we will look for your company's managerial, technical and financial capabilities, acceptable contract terms and conditions, standard surety undertakings and documentation, information about the project and the buyer, as well as Canadian benefits. We also consider the political and economic conditions and outlook in the buyer's country.

If you are working with a commercial surety, chances are you may already have provided this information, except perhaps for the Canadian benefits. In most cases, the surety company should be able to furnish us with what we need to make a decision.

Where you have to deal with EDC directly, we will ask you to sign an application and indemnity for our surety bonding support. This simple document provides us with a summary of the transaction and your company and confirms your indemnity in case EDC issues the bond or has it issued by a fronting company in the local jurisdiction.

Accessible to all exporters

EDC support is available to companies and transactions of any size and in any industry. Owing to our public service mandate, we are often more prepared than commercial sureties to look at small and developing companies. As such, the majority of exporters we support under our bonding programs are small- and medium-sized enterprises. Availability of EDC reinsurance can be an important factor in starting to develop a relationship with a surety company. Give us a call — together we can make a difference.

Other EDC products

EDC has other bonding-related products which can help with your bonding needs. We can insure banks that issue a letter of credit to guarantee your contractual obligations and we can provide wrongful call insurance to cover the risk of unfair calling of your bank guarantees. The previous issue of *Export Wise* (Summer/July 1998) introduced the coverage we can provide to banks issuing these guarantees. Our wrongful call insurance program will be featured in the next issue.

For more information on our bonding programs or for a copy of the previous issue of this magazine, please contact EDC's regional office nearest you by calling **1-888-332-3777**.

Jean Cardyn is Manager of EDC's Contract Insurance and Bonding Group.

Global auto industry:

Tier 2s gear up for world markets

As vehicle manufacturers set up shop in foreign markets and Tier 1 autoparts suppliers continue to join them, it's time for Tier 2 suppliers to move in on the worldwide business. These are the tooling and equipment shops and smaller parts suppliers whose products are integrated into larger automotive systems. Here, Gerald Fedchun, President of the Automotive Parts Manufacturers' Association (APMA), highlights global trends in this sector.

"New automotive plants are going up in places like Brazil and Thailand, and the Tier 1 and 2 suppliers are following their existing customers and picking up business in the emerging markets. Due to rapid changes in the automotive industry, if you maintain the status quo, you are in reality falling behind your competition," says Fedchun.

The APMA represents about 400 companies which supply everything from raw materials, to parts, to full sub-assemblies for the vehicle manufacturers (Original Equipment Manufacturers or OEMs). About 90 per cent of the industry are members of the Toronto-based association. Last year the industry chalked up about $26 billion in sales and, by March '98, employed 98,000.

"Every month a couple more members go global," says Fedchun. "They do it for three main reasons — to serve their customers, to meet competition head on and to gain a larger customer base for innovative Canadian products."

By the same token, parts makers from Europe and the Far East are already starting up business in Canada. Accordingly, it is becoming increasingly necessary for Tier 2 and Tier 3 suppliers to be able to service their existing customers as they move worldwide and grow... even to stay on the same footing.

In our favour, Canadian tooling and equipment companies are known for reliability and quality. "A lot of our Tier 1 members continue to source in Canada when they set up shop in another country; however, with the increased distance between supplier and customer comes increased challenges in providing after-sales service to customers."

Joint adventuring

Tier 2s can use their specialized expertise to create Canadian alliances and joint ventures with foreign companies. "Often they can more easily identify a capable supplier, and bring it up to North American standards through a joint venture and technology transfer, than say a Tier 1 or OEM may be able to.

"For small shops, such affiliations can make the difference between success or failure," says Fedchun. "Even larger Tier 1 *competitors* are now working together to supply systems and capabilities to customers in foreign markets. Tier 2s and 3s must explore this option or run the risk of losing future business to their international competitors.

"Participation in an association like APMA is a vital component of making the contacts and working together. We also firmly believe that more smaller firms should be going on automotive trade missions to Japan, Germany and Brazil. It's one of the easiest ways to get a feel for a new jurisdiction and meet potential customers who are also exploring new markets," says Fedchun.

"When it comes to determining market risks and supplying financial products to mitigate them, EDC people are experts," he adds. "Smaller firms may not have the resources to investigate and analyze the risks of a new market. EDC's foreign market and automotive experts are not only a strong ally for the Tier 1s as they go global, but can also be beneficial to the Tier 2s and 3s as they seek ways to follow their customers.

"EDC has been able to deliver financing products and services tailored to the needs of our industry. A perfect example is EDC's tooling procurement program — it closes a financing gap for automotive industry suppliers by providing progress financing until the OEM pays the Tier 1 supplier, who in turn pays the other supplier."

TECH TREKS

by Toby Herscovitch

FROM THE WIRED WORLD TO THE WIRELESS, INFORMATION TECHNOLOGY KEEPS FORGING NEW FRONTIERS, MAKING IT THE FASTEST GROWING INDUSTRIAL SECTOR ON THE PLANET. IN SOME MARKETS, IT IS STILL THE "GOLD RUSH" INDUSTRY OF THE NEW MILLENNIUM, WITH ALL THE EXCITEMENT — AND ALL THE RISKS — THAT ENTAILS. CUSHIONING SOME OF THE RISKS IS EDC'S INFORMATION TECHNOLOGIES (IT) GROUP. BY BEING MORE ACCESSIBLE TO CUSTOMERS AND OFFERING A WIDER RANGE OF FINANCIAL SOLUTIONS, IT IS FREEING THE PLAYERS TO CONCENTRATE ON INNOVATION AND GLOBAL OUTREACH.

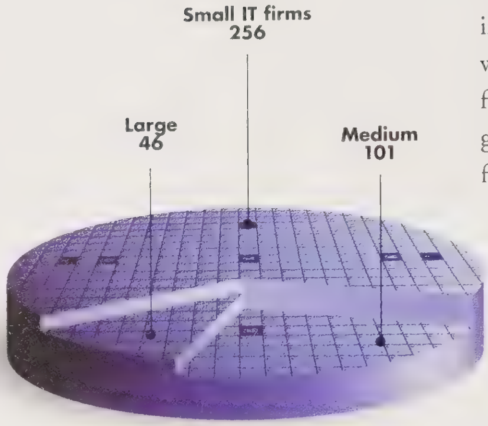
By the year 2000, worldwide revenues in the information technologies industry are projected to exceed $3 trillion. Whether it's networks for faster, clearer, cheaper voice-to-video transmissions or robotics to revolutionize manufacturing, Canadian high-tech products and services keep gaining market share internationally. IT exports climbed 16 per cent annually, on average, from 1993 to 1997, reaching $21 billion in 1997. Experts predict that growth in the Canadian high-tech industry should hover at 15 per cent annually for the next five years.

"EDC has been growing even faster in volume of IT business than the industry itself," notes Peter Foran, IT Group Leader. Between 1993 and 1997, this volume shot up 36 per cent a year on average.

"By really concentrating on the industry, through a full service team with all our product lines represented, we are getting closer to our customers. We're basically offering them a one-stop-shop for all their export financial services needs," adds Foran.

Make that a shop with two departments now. Information Technologies recently evolved into two sector teams: telecommunications and advanced technologies, to better reflect rapidly growing business volumes and to tailor services to the specialized needs of each sector. "It's another way of becoming more accessible to customers and a natural offshoot of success," says Foran.

As a whole, EDC has penetrated the IT sector like no other. The IT Group now supports nearly 19 per cent of Canadian IT exports, in dollar terms, and fully a quarter of Canada's high-tech companies with export sales over $1 million. "EDC serves large, medium and small IT exporters in roughly the same proportions as they exist in the Canadian economy," points out Pat Wudwud, Marketing Manager for the IT Group.



EDC's IT Customers, 1997
(by size of company)
Source: EDC Marketing Department

Having contributed $4.5 billion to EDC's business volume in 1997, the IT industry uses the full range of EDC's products and services. Credit insurance and bonding amounted to $2.5 billion in 1997; financing, including limited-recourse project financing, $1.8 billion; and political risk insurance, $184 million.

Imagination, innovation and risk-taking

To grow with the industry, EDC is aligning its financial products and services to a culture that flourishes on imagination, innovation and worldwide distribution. "More and more, we are trying to work with our major accounts as a virtual partner in their businesses, meeting regularly with their business development and financial managers. This way we can get an understanding of their financial needs and those of their potential customers well before they are negotiating a transaction.

At the same time, customers can tap into our global economic, market and technical expertise, and international connections. Together we can come up with creative financing solutions as the need arises...not after the fact," says Peter Cowan, IT Group Relationship Manager.

Opportunities for information technologies abound in all parts of the world. Key markets for EDC's IT sector in 1997 were the United States ($2.25 billion), other industrialized countries ($716 million), Latin America ($652 million) and Asia Pacific ($319 million).

"The Asian crisis points to a need for the exporters and EDC to focus efforts on projects that are financially sound, with contingency plans to mitigate currency devaluation and slowdowns in economic growth. This has always been how EDC has looked at telecommunications projects, which makes our Asian loan portfolio relatively stable. With the decrease in financial alternatives for good operations, the crisis has even opened windows for EDC," notes Rob Forbes, Team Leader, Telecommunications.

Bayan Telecommunications Inc., in the Philippines, is one example of a successful Asian project that EDC supported. The turnkey telephone system started from scratch in 1995,

expanded last year, and is now well established in Manila and other major Philippine cities. It was launched with a state-of-the-art fibre-optic-based network from Nortel and limited-recourse project financing from several international financial institutions, including US$45 million from EDC.

While the world is ripe with export opportunities for high-tech companies, it is also rife with cut-throat competitors and newfangled products that miss the mark.

"Some of the most difficult products to export successfully are generic computers and components. Remember when computer memory (RAM) used to be delivered by armoured trucks? Today you find it on the floor in electronics shops. Price can make all the difference. Even then, risks can be high as bankruptcies occur throughout the chain," says Foran.

For EDC, this means that demand for short-term credit insurance in the IT sector has skyrocketed in recent years. "Credit insurance increased by 15 per cent last year and shot up another 20 per cent in the first few months of this year. Most credit applications are for sales to the United States," says Bertrand Gignac, Financial Services Manager.

"Over the past three years we have seen a 90 to 100 per cent increase in the number of claims paid; the workload is staggering," notes Dan Ross, Claims Services Manager for the IT Group. "This sector is extremely complex, a condition compounded by the pace of technological change and the constant start-up of new companies. For these reasons, the IT sector has been and continues to be very risky."

THE COMPLEXITY OF THIS SECTOR IS COMPOUNDED BY THE PACE OF TECHNOLOGICAL CHANGE AND THE CONSTANT START-UP OF NEW COMPANIES.

To succeed today, the exporter of computers and related products, or any high-tech company, has to carve out a unique technology in a niche market. "Rather than a price-driven, commodity approach, specialization and innovation are critical to success, as well as seeking out new export markets," says Foran. Fortunately, this is the strategy of the majority of IT companies in Canada.

Telecommunications: stellar performance

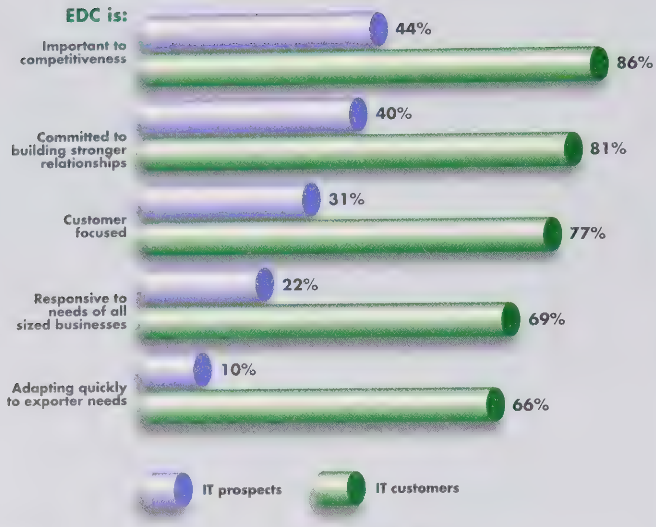
We take it for granted — all that transmitting, switching and distributing of voice, data and video information that keeps shrinking our world and enlarging our horizons. Telecommunications represents EDC's largest volume of business in the IT sector, having surpassed $2 billion in 1997 — practically double what it was in 1996.

Worldwide sales of telecommunications equipment are expected to hit US$350 billion by 2000. Wireless equipment shows the highest rate of growth, accounting for a quarter of the industry's revenue. Canadian telecommunications exports exceeded $6 billion in 1997, ranking Canada among the top telecommunications-providing nations in the world. It places three companies — Nortel, Newbridge and Mitel — among the world's 50 largest telecommunications equipment vendors. It also counts 200 small- and medium-sized firms in its domestic telecom industry.

The highest rates of growth for telecommunications providers are in Asia Pacific, Latin America and Eastern Europe. "The old state-owned model for telephone and other telecommunications systems is disintegrating around the world, and countries are turning to private sponsors to modernize their investments," says Forbes.

This has led to more limited-recourse project financing for EDC's IT Group. Customers are calling upon EDC to lend to projects that run the gamut from POTS (plain old telephone systems) to sophisticated wireless broadband data networks, using Canadian equipment and services.

"Mobifon in Romania is a good example of a large debt financing deal (closed in September 1997) where EDC was one of several lenders, brought in by the major project sponsor Telesystem International Wireless of Montreal. The cellular operation represents an unprecedented expansion to wireless service in that country and has been very successful so far," says Forbes.



Customer survey highlights

One way that EDC is keeping up with the needs of IT exporters and potential new customers is through ongoing customer satisfaction surveys. Big differences show up in how IT customers and prospective customers perceive EDC.

The results indicate that the IT Group is doing many things right, but that it still has challenges ahead in winning over new converts (see graph). In general, familiarity with EDC by the Canadian IT exporting community is gradually improving, from 61 per cent in 1996 to 66 per cent now.

"There's a huge potential market out there. We are becoming more aggressive in reaching out to these firms through more focused advertising, direct mail, trade show participation, industry workshops and more diligent follow-up of sales leads," says Wudwud.

"We have also pinpointed the needs of smaller IT exporters so that EDC can cater, for example, to their time pressures, by streamlining its processes and giving the financial services team the authority to move fast on smaller accounts."

"The riskiest part of lending to such projects is that there is no track record to rely on. We have to understand everything from the technology, cost and revenue drivers, to the competitive and regulatory environment. EDC's approach is to bring in a team that not only has the financial and economic analysis expertise, but also the technical literacy, to assess the project and follow its progress. We're finding that if a telecommunications project is well structured — with good management, competitive costs and a strong marketing orientation — it can do well, even in a difficult environment," says Forbes.

Advanced technology: the stuff of computers... and cartoons

Did you know that Canada is a world leader in graphics, document management, Web tools and security for electronic commerce? Or that it is *the* leader in animation software? Hollywood uses 60 per cent Canadian software to generate animated fiction and fantasies.

Most of EDC's contacts with these and other advanced technology players is in credit insurance and contract bonding. "This should be changing as we acquire more expertise in the financing needs of different advanced technology exporters and their customers. By building a special team focused on this sector, we can concentrate on serving it more creatively and helping its members make useful contacts in emerging markets," says Cowan.

The sector comprises computer hardware, software, electronic components, geomatics (geographical survey, mapping and related systems) and much more. Right now, computer equipment and electronic components take up the biggest "byte" of EDC insurance and financing in this sector. For example, in 1997 EDC tallied up $1.5 billion worth of business with hardware and component exporters (up from $1.2 billion in 1996).

"EDC helps mitigate the risks and boost growth in this high-powered, yet highly volatile industry," says Cowan.

Export news

A Supplement to **Export Wise**

EDC reports strong mid-year results

by Rod Giles

EDC supported $16.6 billion in sales and foreign investments by Canadian companies in the first half of 1998, an increase of 20 per cent over the same period last year.

"Demand for EDC's financing and risk management solutions has continued to grow. This is especially true today given the economic crisis in Asia and its significant global impact," says EDC President and CEO A. Ian Gillespie. "Unquestionably, the risk of doing business in Asia has increased dramatically. EDC is working to help Canadian companies maintain their long-standing presence in many of Asia's key markets."

The Corporation served 3,555 customers in the first half of the year, a 14 per cent increase over the same period a year ago. Net income was $65 million for the six months ended June 30, compared to the previous year figure of $66 million, due to increased provisionary levels reflecting the growth in business and increased risk faced in Asia.

"Exports now account for more than 40 per cent of Canada's economic output which is why EDC's solid business results are good news for exporters and the Canadian economy," adds Gillespie. "Our continuing financial strength enables us to help even more exporters grow their businesses, create new jobs and protect their investments in increasingly competitive and higher-risk markets."

Team Canada: To Russia and beyond in '99

Team Canada will be on the move again this winter (January 16-27, 1999), this time to Ukraine, Russia and Poland to enhance business and cultural ties between these countries and Canada.

Along with the Prime Minister, provincial premiers and other government members, the core business delegation is expected to comprise representatives from some 200 firms active in the region. Business sectors being highlighted are agriculture and agri-food, energy and natural resources, information technologies, construction and services (financial, educational, health and more). As always, EDC plans on playing an active role in this Team Canada mission.

Speedier financing for exports to Mexico

by Rod Giles

Canadian companies selling goods and services in Mexico can benefit from a streamlined export financing product recently developed by EDC and Mexico's largest commercial bank, Banco Nacional de México (Banamex).

By pre-qualifying eligible Canadian exporters, the new product speeds up applications and approvals on medium-term financing for sales transactions between US$100,000 and US$10 million. It also provides a flexible repayment period.

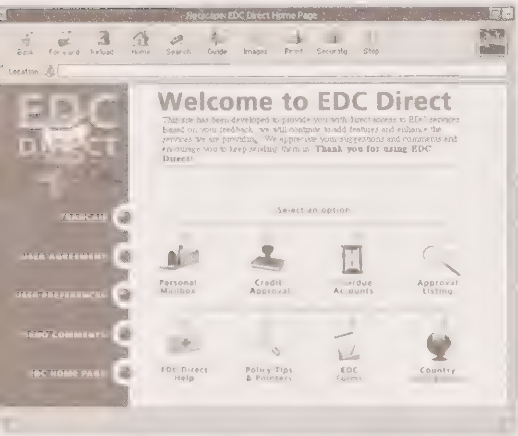
EDC refinances 85 per cent of its commitments under its existing US$125 million line of credit to Banamex on a quarterly basis. "Now when a qualified Mexican importer approaches Banamex for a transaction to purchase goods or services from an eligible Canadian company, Banamex can commit immediately, eliminating the usual six- to eight-week delay," says Luc Dupont, Regional Manager, EDC's International Markets Group.

"Mexico is an important market for Canadian exporters and one where EDC financial and risk

Continued on page 2...

Coming soon to a screen near you...

EDC Direct is expanding. Beginning in October, users will be able to view credit approval decisions and external credit approval reports on-line as well as submit overdue buyer information electronically. The new site will offer policy administration tips, country information and the ability to download EDC forms. Access to EDC Direct is free to all short-term policy holders. Exporters may contact the EDC office in their region by calling 1-888-332-3777 to obtain a user ID and password for signing on.



EDC manager goes to Canada China Business Council

by Cressida Barnabe

Building closer relationships between Canadian and Chinese businesses will be a key role for Frederick Spoke, who has temporarily moved from EDC's International Markets Group to a two-year assignment as Executive Director of the Canada China Business Council (CCBC) in Toronto.

CCBC is a private sector, non-profit organization whose mandate is to help strengthen relations between Canada and China. CCBC helps its members, both large and small firms, develop business opportunities in China and acts as the voice for the Canadian business community on matters of Canada-China relations. CCBC is regarded by many as the foremost bilateral Council in Canada. The Council is better able to serve its members through offices in Shanghai and Beijing.

An ongoing challenge for CCBC will be to determine the changing needs of its members and how best to provide services to them. "China is a difficult market in which to do business, but a market you can't ignore if you're serious about expanding in Asia," says Spoke, who lived and worked in China for three years (in the late '80s) with the Department of Foreign Affairs and International Trade, before he joined EDC.

EDC and the CCBC hope to strengthen their already strong relationship during Spoke's tenure. "This position will give me the opportunity to introduce members of the Council to EDC and its knowledge of the Chinese market," says Spoke. EDC recently posted Business Development Manager Anne Whetham in Beijing, to help Canadian exporters do business in China.

Kudos for EDC's Chairman

The Automotive Parts Manufacturers' Association recently presented EDC Chairman and Director Patrick J. Lavelle with a plaque "for his individual contribution to the Canadian automotive parts industry as well as EDC's outstanding support of APMA activities." Prior to 1988, Lavelle served 10 years as President of the APMA.

Speedier financing

...continued from page 1

management services support 73 per cent of all Canadian exports. We've developed and cultivated relationships with many key players such as Banamex, which can be leveraged by exporters to enhance their business strategies for Mexico," adds EDC President and CEO A. Ian Gillespie.

This initiative builds on the success achieved during the Team Canada trade mission to Mexico last January, where EDC signed new financing agreements, credit facilities and protocols with Mexican institutions totalling approximately $600 million.

EDC sponsors new export award

Vaughan mayor Lorna Jackson congratulates Raymond Y.Y. Hsu, President of ComEnCo Systems Inc., whose company was recently honoured as Exporter of the Year by the Vaughan Chamber of Commerce in Ontario.

Ruth Fothergill, EDC's Regional Vice-President for Ontario (right), presented the new award sponsored by EDC as part of the Chamber's 1998 Business Achievement Awards.

ComEnCo, of Concord, Ontario, specializes in the design and sale of process combustion and related pollution control systems for industries worldwide. In 1997, sales reached some $6 million, with nearly two-thirds of this amount based on exports. Since the company began operations in 1991, export sales have fluctuated between 65 and 85 per cent. Over the years, the company has used EDC's contract bonding support.

Saluting young entrepreneurs and small enterprises

by Toby Herscovitch

Today an award, tomorrow the world! For the second year in a row, EDC is sponsoring the Export Achievement Award for young entrepreneurs, the rising stars of tomorrow's business world.

The prize is part of the Business Development Bank of Canada's (BDC) annual Young Entrepreneur Awards, to be presented October 21 in Winnipeg and honouring a leading young business person in each of Canada's 12 provinces and territories. One of the dynamic dozen is then selected to receive EDC's award, for success in getting a new product or service into foreign markets.

"Today exports are virtually synonymous with business growth. By sponsoring the Export Achievement Award for young entrepreneurs, we highlight that the whole world, not only Canada, is open to their exciting new ideas," says Kurt Rufelds, Director, EDC's Emerging Exporters Team.

EDC, a national sponsor

This tribute to the inventiveness and business acumen of entrepreneurs aged 29 or under launches Small Business Week (October 25-31), organized by BDC and the Canadian Chamber of Commerce. For the first time, EDC has signed on as a national sponsor. Over 1,000 activities across Canada offer smaller firms ideas and techniques to meet challenges ranging from human resources management to global competition.

"At EDC, every week is small business week," says Rufelds, "and this annual event offers a terrific opportunity to meet with smaller exporters right across the country, to let them know how we can help them make the most out of exporting."

Small- and medium-sized enterprises (SMEs) make up 95 per cent of Canadian exporters. In 1997, EDC supported nearly $5 billion in export business conducted by more than 3,200 SMEs in 133 countries.

Mark your calendar

In conjunction with the **3rd Annual Convention of the Alliance of Manufacturers & Exporters Canada** at the Westin Hotel in Calgary between October 4 and 6, 1998, EDC will host a session on:

October 5, 1998
Thinking Big about Smaller Exporters

There's more to exporting than generating sales leads. What if your foreign buyer doesn't pay? Where do you get the working capital you need to fill the order? And how do you arrange the financing your buyer is demanding before closing the deal?

This special workshop brings together successful smaller exporters with their financial partners, and industry and market experts, to address these and other concerns facing emerging exporters today and in the future.

To register for this session, please contact ***Lyne Hébert*** *at* ***(613) 598-2774*** *or, by fax, at* ***(613) 598-3080****.*

EDC is also a major sponsor of the prestigious **Canada Export Awards**, presented by The Honourable Sergio Marchi, Minister for International Trade, during the Alliance's annual convention.

1998 Automotive Seminar

Gearing up for global success

Who: Companies exporting parts, tools, moulds, equipment and/or supplying Tier 1s with tools, equipment or moulds.
When: Wednesday, October 21, 1998
Where: Giovanni Caboto Club, 2175 Parent Avenue, Windsor, Ontario
Speakers: **Jim Olts**, EDC's Chief Economist, will provide country risk information on key markets for automotive exports, including the United States, Mexico, Brazil, Argentina, India, Thailand and China.

Dennis DesRosiers of DesRosiers Automotive Consultants will present his outlook for all sectors of the automotive industry for 1999 and beyond.
Sessions: Participants can also attend two of the following sessions on specific financial solutions available from **EDC** and **PriceWaterhouseCoopers**:

- Credit Assessment in the Automotive Sector
- Accessing Working Capital through EDC's Tooling Procurement Facility
- Country panel with EDC Political Risk Analyst and representatives of companies with operations abroad
- Mergers and Acquisitions: PriceWaterhouseCoopers' representative and EDC financing specialist

Cost: $75.00 (includes seminar materials, breakfast and lunch)
Registration: Contact **Lillian Gagnon** at EDC's London office, tel.: **1-888-332-2360** or fax: **(519) 645-5580**

EDC sponsors APMA Outlook

EDC's Automotive Industry Team is sponsoring the **Third Annual APMA Automotive Outlook Conference** on September 24, 1998, at the International Plaza Hotel and Conference Centre in Toronto. The event examines both North American and world automotive industry trends.

This year's keynote address is by **Dr. G. Mustafa Mohatarem**, Chief Economist for General Motors Corporation. Also on the speakers' roster is EDC's Chief Economist **Jim Olts.**

Claims Paid

January 1, 1998 - July 31, 1998

Companies
354
Claims
842
Cdn $ Total
$38,308,909

Export Markets	Count
Africa & Middle East	9
Asia & Pacific	26
Europe	47
South America	9
U.S.A. & Caribbean	751

Risks	Count
Default	662
Insolvency	168
Call of Bond	2
Repudiation	8
Political and Transfer	1
Termination of Contract	1
Import Permits	0

Payments	Count
Under $5,000	456
Between $5,001 and $100,000	344
Between $100,001 and $1 million	34
Over $1 million	8

Watch for EDC at these upcoming events:

Event	Date	Location
Farnborough International Air Show	Sept. 7 - 13	Farnborough, UK
TFI World Fertilizer Conference	Sept. 13 - 15	San Francisco, US
Public/Private Infrastructure Conference	Sept. 14 - 15	Ottawa, ON
Polyurethanes EXPO	Sept. 18 - 19	Dallas, US
Softworld '98	Sept. 20 - 23	St. John's, NFLD
International Business World Exhibition	Sept. 23 - 25	Montreal, QC
Auto Parts Manufacturers' Assoc. Outlook	Sept. 24	Toronto, ON
San Francisco Seafood Show	Sept. 27 - 29	San Francisco, US
Aerospace Industry Assoc. of Canada	Sept. 27 - 29	Ottawa, ON
Commonwealth Business Forum	Sept. 29 - 30	Ottawa, ON
Alliance of Manufacturers & Exporters Canada Convention	Oct. 4 - 6	Calgary, AB
Treasury Management Assoc. of Canada	Oct. 4 - 7	Ottawa, ON
American Public Transit Annual Meeting	Oct. 4 - 8	New York, US
Young Entrepreneur Awards	Oct. 21	Winnipeg, MB
Canadian Manufacturing Week	Oct. 19 - 23	Toronto, ON
Small Business Week	Oct. 25 - 31	Across Canada
Canadian National Truck Show	Oct. 29 - 31	Toronto, ON
NetCon '98 (Networking and Connectivity)	Nov. 11 - 12	Toronto, ON
Windoor '98	Nov. 18 - 20	Toronto, ON

Vortek Industries: Lighting up South Korea

by Tim O'Connor

Reg Allen has experienced first-hand how the financial crisis in Asia can affect exporters to the region. As President and CEO of Vancouver's Vortek Industries Ltd., Allen recently almost lost a US$500,000 sales contract in South Korea when financing could not be secured.

Fortunately, with the help of EDC, Vortek acquired the necessary bid and performance security guarantees. It is now using its patented arc-lamp technology to test satellite solar panels for the Korean Aerospace Research Institute.

"We could not have completed the deal without EDC," says Allen. "The Asian crisis came at the worst possible time for our contract. None of the major banks was interested in helping us.

"Luckily, EDC came through," he says. "EDC provided the performance and progress payment guarantees we needed to get paid by our customer."

Vortek produces arc lamps that recreate virtually the same spectrum of light as the sun. Using this artificial sunlight, Vortek tests customers' products in a controlled environment. In South Korea, Vortek's testing will determine if the satellite's solar panels will perform properly once they are deployed under the intense sunlight and vacuum conditions of space.

Historically, Vortek has not had to worry about securing financing for contracts. Most of its work has been with NASA and the U.S. Air Force. However, as funding for R&D projects in the United States dried up, so did contracts for Vortek.

"We had to look elsewhere," says Allen. "We are now targeting the commercial satellite and silicon microchip industries. A lot of this work is in riskier markets." As for the products, aside from emulating sunlight for satellite testing, arc lamps provide a uniform heat source needed to produce high-quality microchips from silicon wafers, among other functions.

By exploring new export markets and finding ways to mitigate its risks, Vortek's business is flourishing. Over the past year, the company nearly doubled its staff, to 28 members, and achieved annual sales of $1.5 million.

However, as a small high-tech company, Vortek acknowledges that it has to take prudent measures, no matter what the contract size, to ensure that its success continues. "If we don't get paid, we're in trouble," Allen explains. "The technical side of contracts is not a problem — we know we can achieve what clients ask of us. The commercial and financing side of contracts is our weak link. Fortunately, EDC provides the support we need and helps reduce the risks."

For more information, visit www.vortek.com

Vortek is now using its arc-lamp technology to test the performance of solar panels on a Korean satellite, similar to the panels shown here on the Canadian EOS AM-1 satellite.

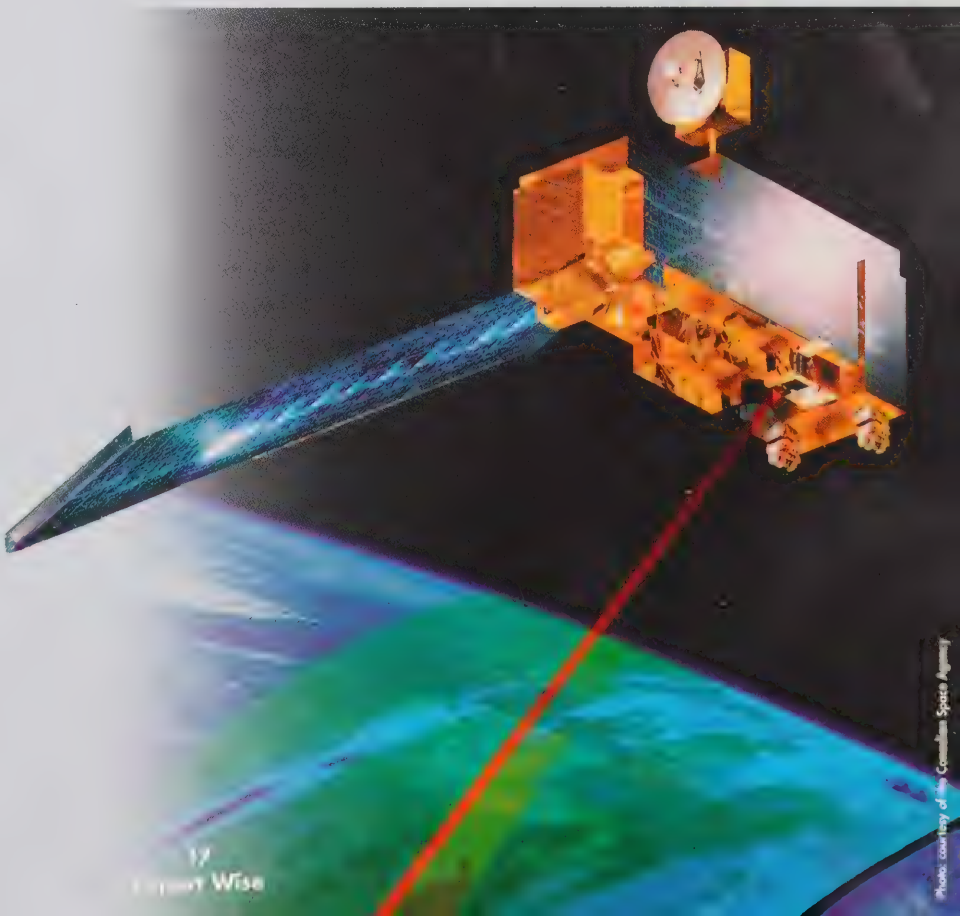


Photo: courtesy of the Canadian Space Agency

ATI Technologies: Bolting graphics to lightning speed

As the speed and proficiency of personal computers increases, the industry is demanding more and better graphics — and these days one of the leading suppliers in the lightning-fast business is ATI Technologies. Right from the start, exporting has been central to the company's strategy.

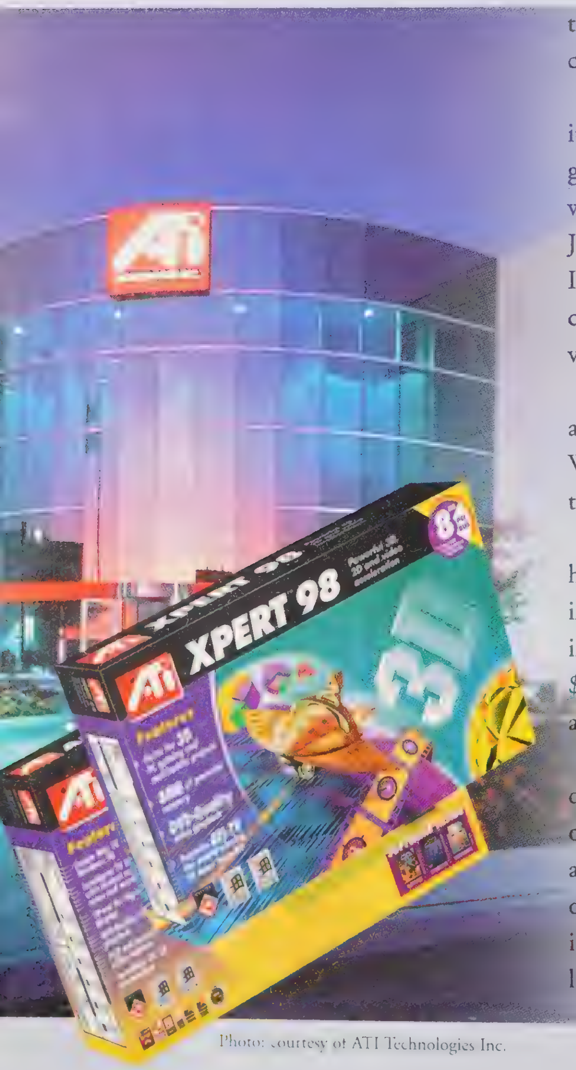


Photo: courtesy of ATI Technologies Inc.

The Ontario-based company that introduced its first graphics board product in 1985 now employs 1,300 people worldwide.

Today, ATI Technologies Inc. produces a whole panorama of leading-edge graphics and multimedia products for both the PC and Mac. The list includes graphics accelerators, both cards and components for mother boards, and multimedia hardware and software — products that enhance 3D images and link computers to televisions, for example.

"The firm first made a name for itself by coming up with the first graphics board that could be used with any brand of computer," says Jo-Anne Chang, ATI's Director of Investor Relations. Until then, each company had its own proprietary video card.

"A number of technological advances, including the advent of Windows 95, propelled the company to a larger sales base," she adds.

Over the past three years, ATI has chalked up 30 per cent growth in sales and a 70 per cent increase in earnings. Analysts are forecasting $1.1 billion in sales for fiscal 1998 — a leap from $600 million last year.

Through its in-house research and development, ATI has nimbly stayed on the leading edge of technology, all the time maintaining product quality and flexibility. Diversifying its geographic base and its product line have also contributed to growth.

"Five years ago we had only a few of the top computer manufacturers as customers. Now we have them all, and as they do well, so will we," says Chang. "We have now grown enough to employ 600 engineers. That means we have the bench strength to support multiple areas, such as 3-D, video and television technology."

Exporting has always been a mainstay of the company's operations. Today, only about nine per cent of the firm's products are sold in Canada. The rest are marketed to the United States, Great Britain, Europe and the Middle and Far East.

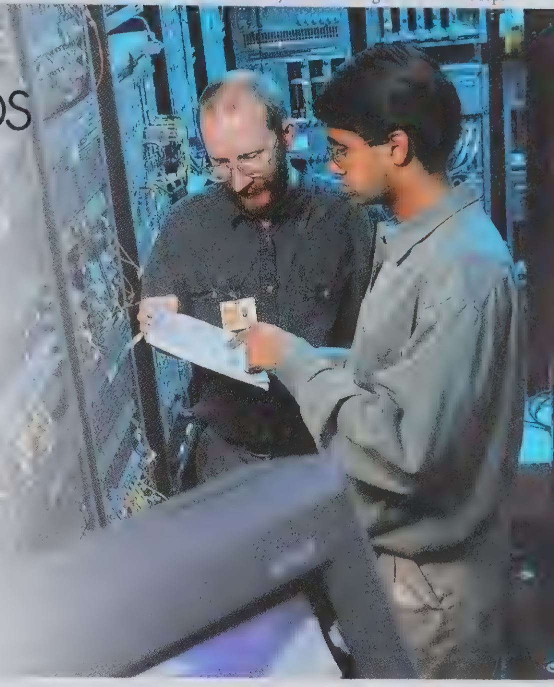
One of the challenges of such diversity is mitigating the risk of non-payment of accounts through buyer default or political disruptions. Early in its history, ATI developed a relationship with EDC and, for about a decade now, the firm has been relying on EDC's short-term credit insurance to protect its receivables in foreign markets.

Kap Singh, Credit Manager at ATI, says, "In the past few years, our sales have grown tremendously and EDC has been a partner in that growth by providing us with insurance and helping us with credit checks. EDC has supported us very well in covering our foreign sales or letters of credit."

For more information, visit www.atitech.ca

Newbridge: Building unique partnerships

Photo: courtesy of Newbridge Networks Corp.



As others in the fiercely competitive global telecommunications industry, Newbridge has formed partnerships with complementary operations, or made outright acquisitions. The idea is to add strategic value and the attraction is generally between like-minded technology firms. Increasingly, however, Newbridge is recognizing EDC as such a "value" partner as well.

With $1.7 billion in sales in its 1998 fiscal year, Newbridge Networks Corporation based in Kanata, Ontario is among the world's leading suppliers of telecommunications equipment and networks. Products such as its ATM (asynchronous transfer mode) equipment have pushed the company to the forefront of managing huge volumes of voice and data traffic. Its spreading size, however, has not dampened its entrepreneurial spirit — a knack for innovation, a willingness to challenge the world's markets and a hunger for success.

Today the company prides itself on being "the world's leading designer of business networks." It has dedicated $1 billion over the next three years towards R&D that will be part of a "networking revolution" in the new millennium. In line with this strategy, Newbridge, together with its broadband networking alliance partner Siemens and its Local Area Network alliance partner 3Com, is aggressively developing telecommunications network solutions, and selling them in all parts of the world.

Newbridge has grown impressively in the five years that EDC has been supporting its export activities — from $308 million in sales concentrated in the United States, to $1.7 billion today covering more than 100 countries. The company's use of EDC services ranges from traditional risk and cash management activities, to individual financing transactions in high-risk markets. The latter approach has been instrumental in establishing new commercial relationships in regions like Latin America.

"EDC's unique appetite for country risk and its ability to evaluate and assume commercial buyer risk in this region have helped us win contracts that we would not otherwise have even pursued," says Jannett Cano-Théberge, Controller for Latin America at Newbridge.

Another key area for Newbridge is the Asia Pacific region, including countries of the former Soviet Union. "Over the next five years, this region has the potential to create, for our type of products and services, a greater growth rate than any other regional market in the world!" says Constantin Loudiadis, Executive Vice-President of Asia Pacific for Newbridge.

But the Asia Pacific region, of course, comes with its own set of economic and political realities, affecting both the commercial strength of potential purchasers and length of the selling process. "Without EDC's willingness to take long-term commercial risk on a transaction recently completed in Russia, Newbridge would have had to forego a strategic opportunity to position itself in that market," notes Kevin Forbes, Director, Business Management for Asia Pacific at Newbridge.

According to Doug McCarthy, Treasurer of Newbridge, "Our relationship with EDC has grown from one based solely on helping us to close the next transaction, principally through credit insurance, to one where we are asking EDC to become more involved in our overall sales and marketing process. By applying the full range of its financial products to the opportunities before us, working with EDC has clearly been a value-added proposition."

For more information, visit www.newbridge.com

Calling Bucharest: TIW is plugged into Romania

by Tim O'Connor

Until recently, only 14 per cent of Romania had telephones. While most Canadian companies may view this as a barrier to doing business in that country, Telesystem International Wireless Inc. (TIW) of Montreal sees it as one of the company's greatest opportunities in its six-year existence.

TIW owns 62 per cent of Mobifon S.A., a private company which was awarded a licence in December 1996 to develop a cellular phone network for telecommunications-starved Romania.

A syndicate of lenders provided US$190 million in financing for the project. Of this, EDC contributed US$25 million in limited-recourse financing, supporting Canadian majority involvement in the project. Besides TIW's role, Montreal-based Harris Farinon Canada is supplying digital microwave equipment and Trylon TSF of Elmira, Ontario, is supplying telecommunications towers to Mobifon.

According to Pierre Toth, Vice-President, Corporate Planning and Treasurer at TIW, his company had to overcome some unique challenges when it approached potential lenders for the project — namely TIW's short history and the lenders' lack of knowledge of the Romanian market. EDC's international experience and market knowledge helped connect all the parts "wirelessly."

"EDC doesn't only bring money to the table," says Toth. "It brings knowledge of the market. With Mobifon, EDC really helped us build a case for the value and stability of the market we wanted to penetrate. As a result, we were able to sell the deal to the banks which were wary of lending for this project."

"EDC's involvement brought a lot of credibility to the deal. Since many of the banks did not know TIW or Mobifon, EDC's expertise in foreign countries played a large part in their decision to get involved."

Project Finance Magazine dubbed the Mobifon project as the telecommunication industry's "Deal of the Year" for 1997. To date, it is the largest and longest non-recourse financing transaction in Romania done on a commercial basis without government support.

This is not the only record achieved by the project. Remarkably, it took Mobifon less than five months to launch the network, which goes by the brand name of Connex GSM. This is the shortest time between licence award and commercial launch for any Global System for Mobile Communication (GSM) operator in the world.

Now, just as quickly, TIW is penetrating the Romanian market. As of June 1998, Mobifon had more than 185,000 subscribers and had achieved geographic coverage of 45 per cent.

"EDC is really useful for Canadian companies looking to break new ground and to grow through exports. EDC is very flexible. This is good because financing often needs to be moulded to meet the specifics of a project. EDC is always willing to adapt the credit facilities to best serve the customer," says Toth.

For more information, visit www.tiw.ca

Deepening crisis — glimmers of promise

by Todd Evans & Julian Karaguesian

The Asian financial and economic crisis has proven deeper and more widespread than originally thought. The collapse of many of the region's currencies and stock markets has affected all sectors of its economies. While Canadian exports to the region have fallen sharply in recent months, EDC remains confident in the region's long-term economic prospects and growth potential.

Indonesia's economy is contracting at an alarming pace, with Gross Domestic Product (GDP) expected to shrink by 15 per cent in 1998. Output could fall by six per cent in Thailand, five per cent in Korea and three per cent in Malaysia. The Philippines has been the least affected of these countries, but growth has slowed sharply and may only reach two per cent in 1998.

Export and economic growth have also decelerated significantly in China, with real GDP growth unlikely to reach six per cent in 1998. Among the region's advanced countries, Japan and Hong Kong are in the midst of deep recessions, while economic growth has slowed sharply in Singapore and Taiwan.

Several factors underlie the prolonged and deepening recessions in Asia.

1 Unsound banking sectors and collapse in new bank lending and trade finance:

With large stocks of non-performing loans and severely depressed market confidence, domestic banks are loath to roll over existing credit lines, let alone undertake new lending activity. Although formal (or informal) agreements by foreign banks to refinance loans to local banks have helped stabilize the economies of Korea, Thailand and Indonesia, total capital flows to Asia have plunged over the past year.

According to the most recent report by the Bank for International Settlements, foreign banks retreated massively from Asia in the fourth quarter of 1997, leading to a reduction in outstanding claims of US$27 billion. The flight of capital was severest in the economies most affected by financial and economic turmoil — Korea, Thailand and Indonesia. Further large outflows occurred in the first half of 1998, although the exact magnitude of these outflows will become clear only when new statistics are released this December.

2 Inability to take advantage of sharply depreciated currencies to boost exports: This is due primarily to the steep decline in export finance availability and sharp downturn in regional demand for imports, most notably in Japan.

3 Continued weakness of domestic and foreign investor confidence: Many governments in the region — particularly in Korea and Thailand — have undertaken far-reaching structural reforms aimed at overhauling heavily indebted corporate sectors and unsound banking systems. However, investor confidence has been severely eroded by political upheaval in Indonesia and rising social and political tensions in Thailand, Korea and, to a lesser extent, Malaysia.

The lack of market confidence in Asia and deepening of the region's financial crisis have been magnified by the potential for a devaluation of China's currency (the renminbi), and the adverse implications that this would have for the Hong Kong dollar's fixed link to the U.S. dollar. Furthermore, Asia's outlook is clouded by the potential for deepening recession in Japan, further weakening of the yen and other factors.

Scene blurred but not black

In the long term, we remain confident in Asia's economic prospects. High labour-capital ratios and low levels of GDP per capita imply that Asia's emerging market economies have enormous potential for further productivity gains and, thereby, economic growth. The region contains more than three-fifths of the world's population, with immense requirements to invest in infrastructure and to import a wide array of goods from industrial countries — from technology-intensive equipment to primary commodities.

Falling demand and commodity prices are dragging down Canadian export sales to Asia.

The short to medium term will be difficult, characterized by painful economic reforms (closures of insolvent companies and banks, transitional losses of employment and output, etc.), rising social tensions and policy slippages, further episodes of financial market instability and renewed commitments to reform.

Most countries in the region, however, still have strong economic fundamentals, including high rates of domestic savings and investment, relatively low levels of government indebtedness (with the exception of Indonesia and the Philippines) and the ability to generate substantial foreign exchange earnings with their large and competitive export sectors.

At the political level, these countries have no choice but to undertake far-reaching structural reforms if they wish to restore economic growth. Over the past three decades, many people in South East Asia have been willing to accept "passive" political systems in exchange for economic freedoms and rapidly rising standards of living. Rapid economic growth, therefore, underpinned the legitimacy of Asia's "soft democracies" (Thailand, Malaysia and Korea), or outright dictatorships (Indonesia).

In the case of Indonesia, public discontent against the ruling Suharto family proved too powerful to wait for the benefits of economic reform. Asia's remaining leaders simply have no choice but to press ahead with structural reforms. But will Asia's populations be willing to wait for the benefits of these reforms, which may take several years, or will deepening recessions lead to more destabilizing social pressures? These are key concerns.

Canada's exports to Asia plunge

Economic weakness in Asia started to have an impact on Canadian exports in the latter half of 1997. Falling demand and lower commodity prices are generating fewer export sales and earnings for Canadian companies in Asian markets. Commodity price indexes are now at their lowest level in almost five years. The drop-off in Canadian exports to Asia will become more pronounced throughout this year as

the region's financial crisis continues to impact the real economy.

A decline in new plant and equipment investment is undermining Canadian machinery and equipment shipments to the region. Furthermore, excess industrial capacity in East Asia is driving down product prices and intensifying competition. Petrochemicals, electronics, computer equipment, textiles, pulp and paper, steel and motor vehicles are all affected. The anticipated drive by countries to export their way back to economic health will add to the competitive international environment over the next few years.

On the other hand, East Asia (including Japan) accounted for just eight per cent of total Canadian exports in 1997 — a big enough share to be problematic, but not enough to undermine the overall export outlook for Canadian companies.

Region-by-region outlook

Canadian exports to the ASEAN-4 (Indonesia, Thailand, Malaysia, Philippines) declined by 40 per cent (year-over-year) in the first four months of this year. The export sectors taking the biggest hit are machinery and equipment, chemicals, pulp and metals.

The Asian NICs (Newly Industrialized Countries Hong Kong, South Korea, Singapore, Taiwan) are also showing signs of economic slowdown. South Korea is one of the hardest hit countries in the region. Its GDP dropped by 3.8 per cent in the first quarter of 1998 while unemployment increased to 6.7 per cent in April, up from 2.8 per cent a year earlier. Growth in the other Asian NICs is also slowing, but not to the same extent.

Canadian exports to the Asian NICs dropped by 39 per cent in the first five months of 1998, which comes after an annual gain of 12 per cent in 1997. Shipments to South Korea are down by one-half from a year earlier. Industrial goods (e.g. minerals, iron, steel, chemicals) and capital equipment have been hardest hit.

While Canadian exports to Thailand and the Philippines will probably pick up by late 1999, the outlook for Indonesia is still very unpredictable.

Canadian export sales in the Asian NICs will remain weak in 1998 and 1999.

In most of these markets (including Japan), EDC is open for business on a case-by-case basis, taking into account that the risks are exceptionally high.

Downturn in Japan

The Japanese economy started to deteriorate in early 1997, following the implementation of restrictive fiscal policies. That same year, Canadian exports to Japan, its second largest trading partner after the United States, fell by three per cent — to reach $10.8 billion, or about four per cent of total Canadian exports. In the first five months of 1998, these exports dropped by 37 per cent from year-ago levels.

The Japanese economy continues to weaken and Canadian exports to this market are not expected to show any recovery over the near term. Housing starts and industrial production are falling while unemployment hit a record 4.1 per cent last April. Corporate bankruptcies are rising at double-digit growth rates while profits drop. First-quarter GDP declined at an annual rate of 5.3 per cent.

The Japanese economy is expected to contract by as much as two to three per cent in 1998 and remain flat in 1999. These figures take into account the government's recently announced 16.65 trillion yen stimulus package. Declines in consumer spending and business investment will outweigh any benefits of fiscal stimulus. It will take perhaps as much as four to five years of reforms, especially in the troubled banking sector, before the Japanese economy returns to a sustainable growth path.

Todd Evans and Julian Karaguesian are EDC Economists specializing, respectively, in international trade and country risk assessment.

BOOM times U★S★A

Canada and the United States share the largest and most comprehensive trading relationship in the world, with two-way trade in goods and services exceeding $1.8 billion a day in 1997. Three-quarters of Canadians live within 300 kilometres of the U.S. border, making the United States the logical first choice for both new and experienced Canadian exporters. The success of these exporters is often tied to our neighbour's fortunes and right now the coffers are full.

Is a downturn inevitable?

EDC is watching closely.

In 1997, Canadians sold 20 times as much to the United States as we did to Japan, our second largest trading partner. We also sold more to our southern neighbour than to all 15 members of the European Union combined.

Most economists agree with the basic principle that with every boom, a bust must follow. The recent downswing in Asia is a case in point. This does not appear to be happening in the United States, which continues to enjoy one of the longest periods of positive growth in its history, says EDC Economist Bryan Gormley. Economic growth continues at an impressive pace while inflation remains at its lowest level in over 30 years.

"Many analysts are suggesting that the current strong performance, particularly that of the U.S. stock market, is no more than a financial bubble that is about to burst. However, in our opinion, there is considerable latitude for the U.S. economy to settle down into a sustainable growth pattern without necessarily going bust."

EDC is predicting that growth in Canadian exports to the United States will slow from its double-digit highs (11 per cent a year from 1990-97) to five or six per cent over the next five years.

"There's no question that the United States has the best performing economy among the G7 countries at the moment, with strong employment growth and no inflation to speak of," Gormley says. "However, a tight labour market is starting to lead to higher wages and the U.S. Federal Reserve has made clear that it would take preemptive action to increase interest rates to cover concerns about rising inflation. This means increased credit card and mortgage rates, for example, which will slow down the economy."

Some economists, however, are taking the more traditional, hard-line view. They predict that, fuelled by asset-price inflation, America's bubble economy poses an imminent threat to the global economy. According to an article in *The Economist*, this bubble might suddenly burst, causing financial instability, destroying wealth and bringing about a recession; or, asset-price inflation may spread, causing over-investment and a consumer-spending binge as shareholders spend some of their capital gains. "The inevitable result would be consumer price inflation."

Gormley agrees that events in the United States bear close watching; however, he does not share the "gloom and doom" prophesies. "More than 80 per cent of Canada's total exports go to the United States. We are still expecting that these exports will increase about five to six per cent in 1998. This growth, however, would be about half that of last year."

Asia's financial crisis will also impact trade in the region. Anne Francis, an economist with the U.S. General Relations Bureau of the Department of Foreign Affairs and International Trade, says that Asian demand for imports has fallen off considerably, leaving both Canada and the United States scrambling for new markets.

There is also rising fear that the United States will soon be swamped with cheaper imports from Asian countries as they attempt to "export" their way out of economic trouble. "This will increase competition for all kinds of goods and services in the U.S. market. But the falling Canadian dollar will act at least as a partial hedge against this factor, because a cheaper currency means more competitive prices," Gormley explains.

"Our proximity to the United States, established transportation links, similarity of language, culture and legal systems also give us a decided advantage over other exporters. This, combined with our trade agreements, provide the framework within which Canadian exporters can capitalize on their export opportunities."

For example, since the North American Free Trade Agreement (NAFTA) took effect on January 1, 1989, Canadian merchandise exports to the United States have grown by a remarkable 77 per cent. By this past January, most tariffs between the United States and Canada were phased out.

"The NAFTA has also given us an avenue for redress if we feel that any industry is engaging in unfair trade practices. At the same time, it has increased anxiety in the United States about job security and globalization which could translate into opposition to trade and trade agreements. Less support in Congress for trade liberalization and the threat

of a glut of cheaper Asian imports could stir up protectionist interests in the United States."

Consequently, Canada has to be watchful of Congress's unilateral initiatives such as Helms-Burton (legislation authorizing lawsuits against companies that conduct business in countries like Cuba and Iran, where property has been seized from U.S. citizens) and attempts to protect U.S. special interests such as lumber, Gormley says.

Guided by a different rule book

Canadian exporters should also be attentive to the possibility of losses caused by U.S. business failures. An anomaly in an otherwise robust economy, an estimated 80,000 businesses failed in 1997, an increase of 11 per cent over the previous year.

"What many Canadian companies fail to realize is that the United States is a foreign country and, as such, doesn't always play by the same rules as us," says Kurt Rufelds, Director, EDC's Emerging Exporters Team. "American firms are far more inclined to declare bankruptcy, because the laws are more lax and less stigma is attached to it than in Canada. They are also quicker to threaten legal action — which means that you don't get paid — if things aren't going their way."

EDC's credit insurance business for the United States reflects both the increased opportunities and higher risks associated with exporting to that country.

In 1997, EDC's credit insurance supported $9.5 billion in exports to the United States, an increase of 29 per cent over the previous year — and about half the Corporation's overall short-term insurance business. This protection for receivables covers many products, notably high-technology equipment, newsprint, aluminium, consumer goods, rubber, lumber and agri-food.

The money paid out in U.S. sales-related claims last year also remained high, representing about 58 per cent (in dollar value) of the Corporation's total credit insurance claims payments, or 70 per cent in sheer number of payments. In almost 60 per cent of the cases, the customer defaulted on payment; the rest declared bankruptcy. Among emerging exporters — companies with gross annual export sales of up to $1 million — the United States accounted for 90 per cent of the claims submitted to EDC last year.

Best sellers: from high-tech to biotech

While the United States is still Canada's most important market for traditional exports such as natural resources, manufactured products and agricultural and consumer goods, interest is growing in value-added products and services for which Canadian exporters have developed a worldwide reputation.

Aerospace and defence

Over the next 10 to 20 years, the demand for new commercial aircraft is estimated at close to 16,000 planes, equivalent to $1.1 trillion. Many will be built with Canadian products and expertise. On the defence side, the $100 million modernization of the early warning system between Canada and the United States bodes well for Canadian exporters.

Information technology and telecommunications

The United States accounts for about 51 per cent, or US$250 billion, of the global market for computer hardware and software. In telecommunications equipment and services, Canada is already our neighbour's second largest supplier (after Japan) with a 20 per cent share of the US$12 billion market.

"In many ways, EDC can act as a credit department for companies that don't have access to the information that we have at our fingertips. We have computerized links to Dun & Bradstreet, Moody's, Reuters and others," says Keith Milloy, Chief Underwriter, Short Term Insurance. "In some sectors, like the retail and wholesale trade in the United States, we monitor high-risk buyers daily and can alert our policy holders to any problems, so that they can in turn withhold shipments.

"The bottom line is that you have to know who your customers are. That's not always the case when you are a smaller exporter breaking into a new market, even one as seemingly familiar as the United States. EDC can help by providing credit checks on foreign buyers to assess their financial stability," says Milloy.

United States market at a glance

Population: 266.56 million
GDP per capita: $25,243
GDP growth:
3.7 per cent (1997)
Inflation: 2.3 per cent
Canadian exports:
$235.55 billion
Canada's market share:
18.55 per cent
Current account balance:
$-189.25 billion deficit

EDC's position:

Short-term — Good experience. Open without restrictions.
Medium/long-term — Open.
Political risk insurance — Open.
Canadian opportunities:
Automotive, oil & gas, consumer goods and forestry products.

Who to contact:

Canadian Embassy in the United States
Ms. Astrid Y. Pregel
Minister-Counsellor (Commercial)
Tel.: (202) 682-1740
Fax: (202) 682-7726

Team Canada Inc.

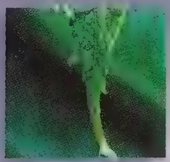
Export Information Service
Tel.: 1-888-811-1119

EDC

To reach the appropriate business team, call the EDC regional office nearest you (see listing, inside back cover).

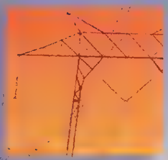
Biotechnology and medical/health care

The life sciences sectors of the health care and bio-industries, covering pharmaceutical and medical devices, agricultural and environmental applications, continue to develop rapidly. The U.S. health care market, approaching $1 trillion, accounts for 40 per cent of the world's demand.



Environment

The U.S. market for environmental products and services, valued at over US$180 billion, is expected to grow to US$207 billion over the next few years. It offers unprecedented opportunities for Canadian firms in such areas as water and waste management, environmental energy sources and pollution prevention technology.



Energy products and technology

Oil, natural gas, electricity, coal and products made from petroleum and coal still represent a major portion of Canada's total exports. Canadian firms have developed specialized techniques and equipment for secondary oil-well recovery and oil-sands extraction. Canada is also recognized as a world leader in gas cleaning and treatment.

Excerpted from Focus on the United States, *published by the Department of Foreign Affairs and International Trade. Free copies can be ordered by fax from (613) 944-9119 or by calling the Team Canada Inc. Export Information Service at 1-888-811-1119. The booklet is also available on-line at www.dfait-maeci.gc.ca/english/news/newsletr/canex*

Lines of credit & export financing

EDC has many types of export financing facilities to simplify the purchase of Canadian goods and services by buyers in export markets.

These facilities fall into two broad categories: supplier credit financing and buyer credit financing.

One example of supplier credit financing is a note purchase agreement. Under such an agreement, EDC purchases from an exporter a series of promissory notes issued by a foreign buyer to the exporter upon the sale of goods or services.

Buyer credit financing includes direct loans and lines of credit. Direct loans are a financing arrangement between EDC and a buyer, or a borrower on behalf of a buyer, for a predetermined transaction. Loans usually involve large transactions with long repayment terms.

Lines of credit are a streamlined form of financing in which EDC lends money to a foreign bank, institution or purchaser, which then onlends the necessary funds to foreign purchasers of Canadian goods and services. Interest rates, repayment terms and other details are prearranged between EDC and the foreign borrower, which speeds up turnaround time. Transactions supported under lines of credit are usually valued at between US$50,000 and US$5 million. EDC currently has 48 lines of credit, providing one form of access to export financing for buyers in some 25 countries.

Listed below are the details and contacts for the lines of credit which exporters have found most useful.

It is important to note that:

- **EDC's financing and insurance services extend beyond countries in which EDC has established lines of credit.**
- **These lines of credit are one of several ways in which EDC will do business in these markets.**
- **If you are thinking about exporting but have never used one of EDC's lines of credit, it is wise to contact EDC as early as possible.**

For more information on how EDC export financing can help you close a deal abroad, contact the regional office nearest you.
(Refer to the contact list on the inside back cover.)

Categories

Overseas Area Code = 011

1 - Borrower
2 - Signing amount
3 - Repayment terms
4 - Buyers' contact with borrower
5 - Borrowers' contact in North America

Lines of Credit

Mexico, Central & South America

Andean Pact – Bolivia, Colombia, Ecuador, Peru and Venezuela

1) **Corporación Andina de Fomento (CAF)**
2) US$70 million
3) 10 years
4) Mr. Fernando Infante
Capital Markets Group
Tel.: 582-209-2283
Fax: 582-209-2329

Dr. Hernán Escudero M. (Bolivia)
Tel.: 591-243-1333
Fax: 591-243-2049

Ms. Liliana Canale (Colombia)
Tel.: 571-313-2311
Fax: 571-313-2787

Mr. Alfredo Solarte (Ecuador)
Tel.: 593-222-4080
Fax: 593-222-2107

Mr. Ernesto Aranibar Q. (Peru)
Tel.: 511-221-3566
Fax: 511-222-0968

Mr. Ricardo Ehrsam
Public Sector (Venezuela)
Econ. Blanca Olivo, Private Sector
Tel.: 582-209-2486/2379
Fax: 582-209-2433

Argentina

1) **Banco Francés**
2) US$10 million
3) 2, 3, 5 or 7 years
4) Mr. Fernando Sola
Regional Manager
North America and Asia Pacific
Tel.: 541-346-4326/4000 (ext. 1893)
Fax: 541-346-4337

1) **Industrias Metalúrgicas Pescarmona S.A.I.C. (IMPSA)**
2) US$15 million
3) 3 semi-annual installments
4/5) Mr. Claudio Troglia
Director of Purchasing (Pittsburgh)
Tel.: 412-344-7003 (ext. 21)
Fax: 412-344-7009

1) **Pan American Energy (Argentina Branch)**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Pablo M. Ferrari
Financing Department
Tel.: 541-310-4332
Fax: 541-310-4367

1) **Telecom Argentina Stet-France Telecom S.A.**
2) US$45.2 million
3) 3 to 8.5 years
4) Mr. Mario González, Manager/
Ms. Christel Maulhardt, Analyst
Trade Finance Operations
Tel.: 541-968-3612/3614/3068
Fax: 541-312-9472

1) **Telefónica de Argentina S.A.**
2) US$50 million
3) 3 to 8.5 years
4) Mr. Raul Rolandi
Deputy Director Financial Services
Tel.: 541-325-0190
Fax: 541-325-1920

1) **Total Austral S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Alain Petitjean
Financial Controller
Tel.: 541-346-6400
Fax: 541-346-6499

1) **YPF, S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Enrique Waterhouse/
Ms. Dora E. Acosta Vásquez
Tel.: 541-329-5685
Fax: 541-329-5685

Argentina, Brazil, Colombia and Uruguay

1) **BankBoston**
2) US$25 million
3) 2 to 8 years
4) Mr. Julio Laffaye
Trade Finance Manager
International Services (Argentina)
Tel.: 541-346-2112
Fax: 541-346-3209/343-7303

Mr. Carlos Martins (Sao Paulo)
Tel.: 5-511-249-5622
Fax: 5-511-249-6430

Mr. Damián Donnelly (Bogotá)
Tel.: 571-313-3481
Fax: 571-313-3536

Mr. José Baniela (Montevideo)
Tel.: 598-296-0127
Fax: 598-296-2209

5) Mr. Hugo Owen
Vice President (Boston)
Tel.: 617-434-3107
Fax: 617-434-1188

Brazil

1) **Banco do Brasil**
2) US$25 million
3) up to 5 years
4) Mrs. Rosana Porto Feirosa
Tel.: 55-11-3066-9021
Fax: 55-11-3066-9029

1) **Petrobrás**
2) US$15 million
3) up to 5 years
4) Mr. Carlos Alberto Massena Barbosa
Tel.: 5-521-534-1454/1457
Fax: 5-521-534-4278

1) **Unibanco – União de Bancos Brasileiros**
2) US$15 million
3) 2, 3, 4 or 5 years
4) Ms. Silvia Nucci
Manager International Relations/
Ms. Patricia Urbano
Manager, Corresponding Banking
Tel.: 5-511-867-1684/4321/1900
Fax: 5-511-815-4484/814-0528/867-1689
5) Mr. Durval Araujo (New York)
Tel.: 212-207-9426
Fax: 212-754-4872

Mr. Marcos Pereira (Miami)
Tel.: 305-372-0100
Fax: 305-350-5622

Colombia

1) **Banco Cafetero**
2) US$10 million
3) up to 8.5 years
4) Mr. Luis Hernando Manrique
Head Special Lines Department
Tel.: 571-341-1511 (ext. 3700)
Fax: 571-284-2097

1) **Cementos del Caribe**
2) US$5 million
3) up to 5 years
4) Mr. Ernesto Ritzel
Head Special Lines Department
Tel.: 575-355-9014
Fax: 575-355-9829

Honduras, Costa Rica, El Salvador, Guatemala and Nicaragua

1) **Central American Bank for Economic Integration (CABEI)***
2) US$20 million
3) 5 years
4) Mr. Jorge Kawas
(Tegucigalpa, Honduras, Headquarters)
Tel.: 504-228-2208
Fax: 504-228-2135

Lic. Ronald Martínez Saborío (Costa Rica)
Tel.: 506-253-9394
Fax: 506-253-2161

Ing. Francisco José Ramírez Cuadra (El Salvador)
Tel.: 503-260-2244/2245
Fax: 503-260-3276

Lic. Jorge Mario Diaz Rosal (Guatemala)
Tel.: 502-331-6821
Fax: 502-331-1457

Ing. Roger Arteaga Cano (Nicaragua)
Tel.: 505-266-4120 to 4123
Fax: 505-266-4143/4125

* CABEI is closed to new projects in the public sector/Government of Nicaragua.

Mexico

1) **Banca Serfin, S.A.**
2) US$20 million
3) 5 years
4) Mr. José Carrassó Arnaiz
Vice-President, International Division
Tel.: 525-512-1009
Fax: 525-625-5613
5) Mrs. Paloma Healey
Tel.: 416-360-8900
Fax: 416-360-1760

1) **Bancomer, S.A.**
2) US$75 million
3) 5 to 8 years
4) Ms. Cecilia Sáenz y Sáenz
Vice-President, Import Financing
Tel.: 525-621-3861/3491
Fax: 525-621-4758

1) **Banco Nacional de Comercio Exterior, S.N.C. (Bancomext)**
2) US$125 million
3) 5 to 10 years
4) Ms. Rosa María Solís, Vice-President
International Banking, North America
Tel.: 525-327-6051
Fax: 525-327-6076/6077
5) Mr. Marco Espinosa
Trade Commissioner of Mexico (Toronto)
Tel.: 416-867-9292
Fax: 416-867-1847

1) **Banco Nacional de México, S.A. (Banamex)**
2) US$125 million
3) 5 to 10 years
4) Ms. Carmen Trujillo, Comercio Exterior
Tel.: 525-720-7076
Fax: 525-720-7313

1) **Banco Nacional de Obras y Servicios Públicos, S.N.C. (Banobras)**
2) US$20 million
3) 5 to 8 years
4) Lic. Abelardo Bravo Herrera, Gerente
Operaciones Bancarias Internacionales
Tel.: 525-723-6000
Fax: 525-723-6235

1) **Comisión Federal de Electricidad (CFE)**
2) US$30 million
3) 5 to 8 years
4) Mr. Ranulfo Matus López
Credit Operations Department
Tel.: 525-286-6859
Fax: 525-286-1456

1) **Hylsa, S.A. de C.V.**
2) US$20 million
3) 5 years
4) Mr. Manuel Moguel, Treasury
Tel.: 528-328-1220
Fax: 528-328-1885

1) **Nacional Financiera, S.N.C. (Nafin)**
2) US$28 million
3) 5 to 8 years
4) Mr. Jorge Muñoz Cuevas
Manager Bilateral Financing
Tel.: 525-325-7022/7023
Fax: 525-325-6496

1) **Petroleos Mexicanos (Pemex)**
2) US$50 million (under negotiation)
3) 5 to 10 years
4) Lic. Guillermo Christy Vera
Associate Managing Director of Finance
Tel.: 525-250-6478
Fax: 525-254-1896

1) **Teléfonos de México, S.A. de C.V. (Telmex)**
2) US$35 million
3) 3 to 7 years
4) Mr. Gustavo León Méndez, Treasury
Tel.: 525-222-1153/1154
Fax: 525-203-5972

Peru

1) **Banco de Crédito**
2) US$20 million
3) up to 8 years
4) Mr. Augusto Merkt
Assistant VP Correspondent Banking
Ms. Lily Valdéz, Correspondent Banking
Tel.: 511-349-0508/0544
Fax: 511-349-0548/428-6721

1) **Banco Wiese Ltdo.**
2) US$15 million
3) 2 to 5 years
4) Mr. Eduardo Lizarzaburu Cuba
Financing Intermediation Division
Tel.: 511-428-6000
Fax: 511-426-9414
5) Mr. Javier Román
Tel.: 511-426-6231
Fax: 511-428-3163

Trinidad & Tobago

1) **Central Bank of Trinidad & Tobago**
2) US$15 million
3) up to 8.5 years
4) Ms. Cara Mae Farmer
   Manager, Banking Operations
   Tel.: 868-625-4835/623-4715
   Fax: 868-625-2468

Venezuela

1) **BARIVEN, S.A./Petróleos de Venezuela, S.A. (PDVSA)**
2) US$50 million
3) 2 to 8.5 years
4) Mr. Jesus Bello
   Finance Manager
   BARIVEN, S.A. (Caracas)
   Tel.: 582-201-4761
   Fax: 582-201-4605
5) Mr. Philip Lemon
   Trade Financial Analyst
   PDVSA Services, Inc. (Houston, Texas)
   Tel.: 281-588-6400
   Fax: 281-588-6287

Africa & Middle East

Algeria

1) **Banque Algérienne de Développement (BAD)**
2) US$100 million
3) 3 or 5 years
4) Mr. Sadek Alilat, Director
   Tel.: 213-2-677-583/4/5
   Fax: 213-2-674-241

1) **Sonatrach**
2) US$70 million
3) 3 or 5 years
4) Mr. Mohamed Kerkebane, Director
   Tel.: 213-2-746-272/746-209
   Fax: 213-2-746-256

Ghana

1) **Ministry of Finance and Economic Planning**
2) US$20 million
3) up to 10 years
4) Mr. Emmanuel Darko, Director
   International Economic Relations Division
   Tel.: 233-21-665-920
   Fax: 233-21-667-069
5) High Commission of Ghana to Canada in Ottawa
   Tel.: 613-236-0871
   Fax: 613-236-0874

Israel

1) **Bank Hapoalim B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Yona Rosenberg
   Foreign Trade Department
   Tel.: 972-3-567-3424
   Fax: 972-3-567-4548

1) **Bank Leumi Le-Israel B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Liorah Tidhar, First Vice-President
   Trade & Project Finance
   Tel.: 972-3-514-7373
   Fax: 972-3-514-7865

1) **United Mizrahi Bank Limited**
2) US$10 million
3) 3, 5 or 7 years
4) Mr. Chana Chefer
   Foreign Trade Department
   Tel.: 972-3-567-9011
   Fax: 972-3-567-9028

Lebanon

1) **Credit Libanais SAL**
2) US$10 million
3) 3 to 8.5 years
4) Mr. George Khouri
   Tel.: 961-158-2390
   Fax: 961-160-2615

South Africa

1) **First National Bank of Southern Africa Limited**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Steve Smith,
   Manager, Export Credits
   Tel.: 011-371-6665
   Fax: 011-371-7255

1) **Impofin (Pty) Limited**
2) US$15 million
3) up to 8.5 years
4) Mr. Leon Potgieter, Deputy General Manager, Industrial Development Corporation of South Africa Ltd.
   Tel.: 011-269-3266
   Fax: 011-269-3121

1) **Nedcor Bank Ltd.**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Yianni Puoruvllis, Manager
   International Finance Unit
   Tel.: 011-630-7851
   Fax: 011-630-7146

1) **The Standard Bank of South Africa Limited**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Gerald Nolan
   Senior Manager, International Finance
   Tel.: 011-636-5062
   Fax: 011-636-3181

Tunisia

1) **Ministry of International Cooperation and Foreign Investment**
2) US equivalent of Cdn$100 million
3) up to 10 years
4) Mr. Abdelhamid Bouhawala
   Tel.: 216-1-798-522
   Fax: 216-1-799-069

Europe

Turkey

1) **Turk Eximbank Export Credit Bank of Turkey**
2) US$50 million
3) 3 to 7 years
4) Mr. Ertan Tanriyakul, Finance Manager
   Tel.: 312-417-1300
   Fax: 312-425-2947

Ukraine

1) **State Export Import Bank of Ukraine**
2) Cdn$20 million
3) 3 to 10 years
4) Ms. Tetyana M. Kutuzova
   Head of Department
   Tel.: 380-44-247-8925/26
   Fax: 380-44-247-8928/8082
   Telex: 131258 RICA

Asia & Pacific

China, People's Republic of

1) **Bank of China**
2) US$200 million or its equivalent in Cdn. or other acceptable foreign currencies
3) up to 10 years
4) Ms. Zheng Lin, Project Manager
   Credit Business Department
   Tel.: 86-10-6834-7518
   Fax: 86-10-6834-2111

1) **Bank of Communications**
2) US$25 million
3) up to 10 years
4) Ms. Liu Ganghua, General Manager
   Credit Department
   Tel.: 86-21-6275-1234 ext. 1941
   Fax: 86-21-6275-6224

1) **China Construction Bank**
   (previously People's Construction Bank of China)
2) US$100 million
3) up to 10 years
4) Ms. Ying Chunzi, Project Manager
   International Department
   Tel.: 86-10-6851-5273
   Fax: 86-10-6851-5285

Indonesia

1) **P.T. Indah Kiat Pulp & Paper Corp.**
2) US$25 million
3) 2 to 10 years
4) Mr. Ronny Kurniawan, General Manager
   Export Credit Finance
   Tel.: 62-21-392-9266
   Fax: 62-21-392-9437

1) **P.T. Pabrik Kertas Tjiwi Kimia**
2) US$10 million
3) 2 to 10 years
4) Mr. Ronny Kurniawan, General Manager
   Export Credit Finance
   Tel.: 62-21-392-9266
   Fax: 62-21-392-9437

Contacts

Head Office
151 O'Connor
Ottawa, Canada
K1A 1K3

Tel.: (613) 598-2500
Telex: 053-4136
Fax: (613) 237-2690
Internet: http://www.edc.ca

Smaller exporters — companies with annual export sales of up to $1 million — can contact our team of specialists at

1-800-850-9626

If your export sales exceed $1 million annually, call any one of EDC's regional offices at

1-888-332-3777

Western Region

Glen Hammond
Regional Vice-President

Vancouver Office
Suite 1030
505 Burrard Street
Vancouver, British Columbia
V7X 1M5
Tel.: (604) 666-6234
Fax: (604) 666-7550

Ray Johnson
Business Development Manager

Winnipeg Office
Commodity Exchange Tower
Suite 2075
360 Main Street
Winnipeg, Manitoba
R3C 3Z3
Tel.: (204) 983-5114
Fax: (204) 984-0163

Lewis Megaw
Business Development Manager

Calgary Office
Home Oil Tower
Suite 606
324-8th Avenue S.W.
Calgary, Alberta
T2P 2Z2
Tel.: (403) 292-6898
Fax: (403) 292-6902

Bruce Stanton
Business Development Manager

Edmonton Office
Suite 905
10010-106th Street
Edmonton, Alberta
T5J 3L8
Tel.: (403) 495-2286
Fax: (403) 495-2346

Karen Goss
Business Development Manager

Ontario Region

Ruth Fothergill
Regional Vice-President

Toronto Office
Suite 810
150 York Street
P.O. Box 810
Toronto, Ontario
M5H 3S5
Tel.: (416) 973-6211
Fax: (416) 862-1267

David Little
Business Development Manager

London Office
Suite 1512
148 Fullarton Street
London, Ontario
N6A 5P3
Tel.: (519) 645-5828
Fax: (519) 645-5580

Laura Gainer
Business Development Manager

Quebec & Atlantic Region

Montreal Office
Suite 4520
800 Victoria Square
P.O. Box 124
Tour de la Bourse
Montreal, Quebec
H4Z 1C3
Tel.: (514) 283-3013
Fax: (514) 878-9891

Harold Riley
Business Development Manager

Halifax Office
Purdy's Wharf Tower II
Suite 1410
1969 Upper Water Street
Halifax, Nova Scotia
B3J 3R7
Tel.: (902) 429-0426
Fax: (902) 423-0881

Graham Coade
Business Development Manager

Moncton Office
International Trade Centre
1045 Main Street
4th Floor, Unit 103
Moncton, New Brunswick
E1C 1H1
Tel.: (506) 851-6066
Fax: (506) 851-6406

Charles Gaudet
Business Development Manager

Other organizations that help exporters

Team Canada Inc • Équipe Canada inc
Export Information Service
1-888-811-1119
www.dfait-maeci.gc.ca

BDC
Business Development Bank of Canada
1-888-463-6232
www.bdc.ca

Canadian Commercial Corporation
1-800-748-8191
www.ccc.ca

Alliance of Manufacturers and Exporters Canada
(613) 238-8888
(416) 798-8000
www.the-alliance.org

Northstar Trade Finance
(604) 664-5828
www.northstar.ca

Published by Export Development Corporation

Export wise

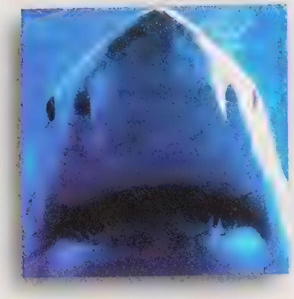
Winter/January 1999

FRAUD ALERT!

Scam sharks bite into export profits

Cultivating growth in agri-food

Say *Sí!* to Latin America



Export Wise

Winter/January 1999

From the President
Turning crisis into opportunity
3

Focus on Smaller Exporters
Stageline: Bringing all the world a stage
4

Anatomy of a deal
Put NorthStar in your pocket
6

Inside Track
Hot young entrepreneurs
7

Y2K and the SME
Tips to squash the millennium bug
8

Inter.net.working
www.edc.ca: same address, different site
9

Contract bonding
Unfair call protection for your letters of guarantee
10

Streamline policy administration with EDC Direct
11

Industry Watch
Exporters beware!
Scam sharks bite into export profits
12

Cultivating growth in agri-food
16

Barry Group
Seafood firm uses EDC to spawn growth
18

On the Map
Say *Sí!* to Latin America
19

Momentum in Mexico
21

Beating a path to Brazil
22

Fending off financial crisis
23

EDC Listings
Lines of Credit
24

Contacts
27

Export News
(Insert)

Index
Fall 1997-Winter 1999
(Insert)

Editor Toby Herscovitch

Desktop Design/Editorial Assistant
Deborah Chapman

Creative Direction & Production
Mantle & Overall Communications

Film & Printing
The Lowe-Martin Group

Contributors
Cressida Barnabe, Deborah Chapman, Diane Cousineau, Françoise Faverjon-Fortin, Maria Forde, Laura Gainer, Toby Herscovitch, Tom Kowbel, Chantal Lalande, Gord Lovasz, Dan Lussier, James McCormack, Irene McNeely, Alison Nankivell, Tim O'Connor, Brenda Stewart, Mike Taylor and Judith Whitehead

Translation
Maguy Robert and Anne Tanguay

Advisory Board
Andrew Douglas, Patrick Doyle, Luc Dupont, Peter Foran, Ruth Fothergill, Glen Hodgson, Keith Milloy, Kurt Rufelds and Jayne Watson.

Export Wise is published four times a year by EDC's Corporate Communications Department.

EDC 151 O'Connor Street
Ottawa, Canada K1A 1K3
Tel.: (613) 598-2500
Fax: (613) 237-2690
Telex: 053-4136
Internet: http://www.edc.ca

Export Development Corporation (EDC) provides a full range of trade finance services that helps Canadian exporters and investors do business in 200 countries, including higher-risk and emerging markets. Founded in 1944 as a Crown corporation, EDC operates as a commercial financial institution.

The editor welcomes signed letters of comment on articles that appear in **Export Wise** or on events and issues related to the Canadian export industry. Letters may be edited to meet the magazine's style and space requirements.

All dollar amounts indicated in the magazine are in Canadian dollars unless otherwise specified.

Cover photo: ©K. Aitken/First Light

Be sure to visit EDC's Web site at http://www.edc.ca

*Ce document existe également en version française sous le titre **Exportateurs avertis.***

Turning crisis into opportunity

A. Ian Gillespie
President and
Chief Executive Officer

Not long ago, I had the pleasure of attending the Canada Export Awards, of which EDC is a major sponsor. With few exceptions, the award winners would not have achieved the growth and success they have known without venturing into emerging markets, particularly those of Asia Pacific and Latin America.

Although financial risks are an inherent part of doing business in these markets, today's Asian contagion — the financial flu that has also gripped Russia, Latin America and, to varying degrees, the whole world — has increased these risks dramatically over the past year.

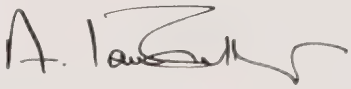
Rather than run from the crisis zones, EDC recognizes that Canadian companies, like our Canada Export Award winners, can only boost their future growth and that of the country by maintaining their long-standing presence in key emerging markets. EDC is committed to helping them do so by continuing to support companies selling to creditworthy buyers in Asia, Latin America and elsewhere.

For example, we increased our financial support to Canadian companies selling to South Korea by 70 per cent in the first half of 1998, compared to all of 1997. In Latin America, EDC is pursuing relationships with top-performing private corporations to encourage greater use of Canadian goods and services.

However, the unprecedented meltdown of financial markets in Asia and subsequent recession has challenged traditional assumptions about risk management and lending criteria by economists, financial experts and project sponsors. Market turbulence accentuates the need for financial firms to strengthen risk management systems and take fuller account of the risks in the global financial system, including high volatility.

In today's crisis of confidence situation, EDC shoulders the additional responsibility of helping maintain critical trade and investment finance flows to creditworthy counterparties. To do so, we have the largest pool of trade finance skills under one roof in Canada. Few organizations can muster our multidisciplinary approach and level of expertise in assessing projects from every angle and global influence: financial, economic, technical, political. This allows EDC to step in for its customers when other financial institutions pull back. Moreover, we are continuing to develop the expertise that allows us to find innovative financial solutions for companies of all sizes, in all industrial sectors, to fit their individual needs.

But we also recognize that even if we had a crystal ball we couldn't provide all the support, nor could we assume all the risk. We need to partner with other financial firms around the world to increase our capacity to arrange, underwrite and administer our assets and contingent liabilities in Asia and other critical global markets. By doing so, we can be a catalyst to competitive advantage for Canada... and help turn all Canadian exporters into "award winners!"



Stageline:
Bringing all the world a stage

Photo courtesy of Stageline

by Toby Herscovitch

In the world of showbiz, we expect excitement, novelty, magic! Stageline Mobile Stage inc., an international leader in the design and manufacture of mobile stages, doesn't disappoint. Even the financial arrangements for this Quebec-based firm, through EDC, NorthStar and the Royal Bank, are unique.

On the road, it looks like a typical truck-trailer. On the event site, this Stageline product is transformed — by one to four workers in one to four hours, depending on the model — into a full-blown stage accommodating a symphony orchestra or the passing of the Olympic torch.

Elaborate light and sound systems can be stored in the trailer and ready to mount; a hydraulic lift system opens the side panels and lifts the roof, towering more than 12 metres high in some models, and voila! it's showtime! Afterwards, poof, everything folds up and practically moves itself to the next event site.

It's all the more impressive when you realize that this kind of set-up, even in today's high-tech world, can take as many as 30 people three days to build using conventional staging methods. Stageline's advanced technology reduces costs and labour by 75 to 90 per cent.

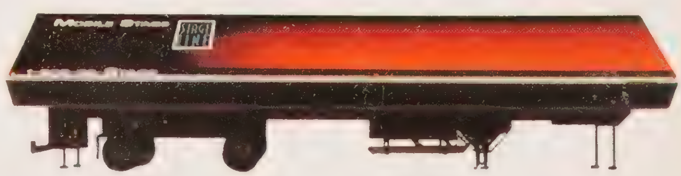
Award-winning technology

Not quite as thrilling, but still unique, are the financial arrangements with EDC, NorthStar Trade Finance and the Royal Bank. Thanks in part to the right financing at the right time, Stageline recently provided its revolutionary SAM mobile stage to Star Hire in England, sharing with its customer/agent an award for "Best Staging Innovation" this past September.

"A loan from NorthStar enables our customers to purchase our mobile stages on credit terms, while giving us the needed capital to continue building new products. Our bank (Royal Bank) also contacted EDC, which created a whole new insurance policy allowing us to provide customers with trailers on a long-term leasing contract (six months or more)," says Lise Morissat, Vice-President of Stageline.

Prized partnership

This financial partnership began when Morissat approached the Royal Bank (and its REFCO subsidiary) for financing in late 1997 to build more mobile units for international sales and leasing — each one can cost between $50,000 and $500,000.



Stageline's account manager at the Royal Bank, Andrée Potvin, and her colleague at the bank's international trade centre, Suzelle Bélanger-Legault, saw a good fit with their NorthStar partner, whose loans are insured by EDC (see story, page 6).

Leasing the units internationally was a little trickier. "Any new technology, whether it's the snowmobile or mobile stage, has to overcome resistance," notes Morissat. "Especially when you have a relatively expensive product like ours, customers want to try it first. Once they do, they usually don't want to let it go."

Maybe so, but Stageline still had to get through that first leasing season. The bank wanted concrete assurance that the lease payments would materialize as planned before putting in more working capital. Bélanger-Legault contacted Françoise Faverjon-Fortin, Business Development Manager at EDC's Montreal office, with whom she had worked before.

"EDC is very open to new financing ideas and projects. It was very innovative in adapting its global insurance policy to cover the intricacies of a leasing contract. The beauty of the process is that everything is prearranged and ready to apply to other similar transactions. Even though we are sometimes competitors, this is a good example of how we can work cooperatively for everyone's benefit," says Bélanger-Legault.

The challenge for EDC lay in insuring lease payments under its Global Policy. EDC's legal department set about writing a new insurance endorsement providing coverage for the company's revenues for the full term of the lease, even if a customer were to suddenly cancel the contract or default on payments.

"Based on this protection, the Royal Bank keeps Stageline's working capital flowing," says EDC Financial Services Manager Anatoly Gann. (The Stageline account falls under EDC's Automotive Team.)

"The other great benefit," says Morissat, "is that having the backing of such well-known financial institutions as the Royal Bank and EDC makes it so much easier to promote our products with foreign customers. We can right away offer competitive financing on purchases, rather than leaving potential buyers to convince their own lenders to support a relatively new technology with a foreign company. And now we can also let them test our product through leasing," says Morissat.

Setting the stage for export growth

While Stageline's team has been designing and building mobile stages for some 15 years, international sales and distribution (through leasing) started taking off in the last couple of years

"Having the backing of such well-known financial institutions as the Royal Bank and EDC makes it so much easier to promote our mobile stages with foreign customers."

Lise Morissat, Stageline

and now represent about 75 per cent of the company's total revenues.

Stageline has literally set the stage with the 1996 Olympic Torch Relay to Atlanta, Tour de France opening ceremony, Coca-Cola promotional tour in Mexico, Opera New Zealand and other events — in more than 14 countries! Recent customers include the Sydney 2000 Olympic Organizing Committee and the 1998 Commonwealth Games Committee. Chinese and other Asian organizations have also expressed interest in the product.

As for the first season of stage-trailer leasing, it went...without a hitch.

For more information, visit www.stageline.com

Anatomy of a deal

Put NorthStar in your pocket

by Tim O'Connor

Being a smaller exporter doesn't mean that securing financing for foreign buyers has to be time consuming, worrisome or difficult. With NorthStar Trade Finance Inc., the process can be quick, easy and efficient.

NorthStar supports the export ventures of Canadian small- and medium-sized enterprises (SMEs) by offering financing to their creditworthy foreign customers at competitive rates.

Since 1994, NorthStar, based in Richmond, B.C. and with offices in Calgary, Toronto and now Montreal, has been providing loans ranging from $100,000 to $3 million. Every loan is backed by EDC insurance to protect NorthStar against buyer non-payment. SMEs benefit because, in support of their bids, they can offer buyers financing — putting the SME on a more equal competitive footing with larger companies. An added advantage is that this financing does not affect the exporter's line of credit with its own bank.

"As a young and small company of 18 employees," says Scott Shepherd, President of NorthStar, "we are very much attuned to the needs of other Canadian SMEs."

Getting at the money

To access this financing, exporters first need to make an application directly to NorthStar. NorthStar and EDC then review the application to ensure that the foreign buyer is creditworthy. This review and approval process can normally be completed within seven business days of receiving the exporter's application.

Once NorthStar and EDC are satisfied with the level of risk and are prepared to offer financing and insurance, NorthStar issues a letter of offer, which may be presented to the foreign buyer by the exporter. Once accepted by the foreign buyer, NorthStar sets up the loan directly with that buyer.

Next, the exporter shows that the product has been shipped, received and accepted by the foreign buyer, and that a properly completed agreement has been signed by the buyer and the exporter. NorthStar then pays the funds directly to the exporter and assumes the risk of the foreign buyer.

The result is that the financing provided to the buyer is non-recourse to the Canadian exporter, provided the exporter has fulfilled its obligations under the contract with the foreign buyer. Exporters generally receive payment in full from NorthStar within 10 days of shipment, while the onus is on NorthStar to collect the outstanding loan from the foreign buyer.

Costs to exporter and buyer

The cost to the exporter is a non-refundable application fee of $300 plus GST. The foreign buyer is responsible for the loan interest, a premium payable to NorthStar to cover EDC insurance, an administration fee of 1.25 per cent of the amount of the export sale and all reasonable out-of-pocket costs for the loan.

For more information on NorthStar Trade Finance Inc., call ***1-800-663-9288,*** *or visit its Web site at www.northstar.ca*

Hot young entrepreneurs

by Cressida Barnabe

Through the EDC Export Achievement Award, EDC honours savvy young entrepreneurs making their mark internationally. This year's winner goes global with a product that rings up a three-fold increase in telemarketing productivity.

As a 12-year veteran of the telemarketing business, Robert Gill, 28, was determined to increase the time telemarketers spent talking to prospects, instead of listening to dial tones, busy signals and answering machines. If only he could develop a product to increase telemarketing productivity, he figured he could beat out the competition, both in Canada and abroad. Not only did Gill succeed, but his perseverance paid off in the form of a Business Development Bank of Canada (BDC) Young Entrepreneur Award (YEA) and the EDC Export Achievement Award.

The annual awards, presented this year in Winnipeg (October 21), go to the young entrepreneurs of 12 dynamic companies, one from each province and territory. They are chosen by a panel of judges from the business community, including BDC, NorthStar Trade Finance and EDC. All winners are aged 29 or under and chosen for their product or service innovation, operating success and community involvement. In addition, EDC's Export Achievement Award is given to one of the winners who has demonstrated success in launching a new product or service into foreign markets.

Dialing into success

Gill, owner of Regina-based MarkeTel Multi-Line Dialing Systems Ltd., devised the patented MarkeTel Mk. II, an automated dialing system known as a "predictive dialer." Extra phone lines initiate calls while telemarketers are talking to prospects. Through a complex mathematical formula, the dialer "predicts" when telemarketers will be off the phone, allowing them to smoothly go from saying "good-bye" to one prospect, to "hello" to the next!

"Our product is unique within our market niche," explains Gill. "All of our competitors require a computer network to operate their products. Ours is the only one that does not. As a result, our price is the lowest available in North America, by a long shot.

"This company has not even scratched the surface of its potential market," adds Gill, whose export sales of the new dialer account for 80 per cent of his business.

"The selection of Robert Gill as this year's winner of the EDC Export Achievement Award was difficult, as over half of the YEA winners are experienced exporters," explains John Hutchison, Vice-President, SME Services, and one of the judges. "From day one, Robert and his company demonstrated understanding that the world is his marketplace. This type of thinking, which we see increasingly from young entrepreneurs, is critical to Canada's ongoing economic well-being."

By sponsoring this award, EDC not only recognizes the accomplishments of these individuals, but also encourages them to continue to take Canadian ingenuity to the world.

YEA!

Young Entrepreneur Awards

Newfoundland
Ruth Bell-Steinhauer,
Bellissima Inc.

Prince Edward Island
Brett Doyle,
Outer Limit Sports — King of Clubs

Nova Scotia
Steven J.P. Comeau, Michael-Andreas Kuttner,
Collideascope Digital Productions Inc.

New Brunswick
Michael R. Bolster,
Christmas Mountains MFG. Inc.

Quebec
Paul S. Kanwal,
KanCorp Industries Inc., Rubber Plast Technologies Inc., Just 4 U !! Distribution Inc. and SPS Management Inc.

Ontario
Aziz Hurzook, Bobby John,
Caught in the Web, Inc.

Manitoba
Phillip Coutu,
Rooftop Roofing

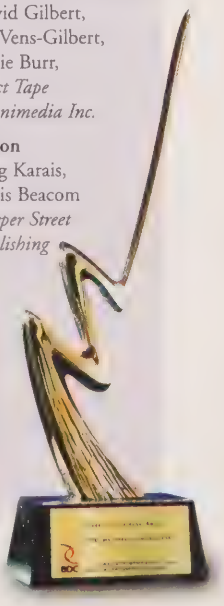
Saskatchewan
Robert Gill,
MarkeTel Multi-Line Dialing Systems Ltd.

Alberta
M. Sean Young,
ECom Communications Corporation

British Columbia
Scott Brownlee, Jason Smith, Doug Birnie,
Columbus Group Communications, Inc.

Northwest Territories
David Gilbert, Liz Vens-Gilbert, Jamie Burr,
Duct Tape Omnimedia Inc.

Yukon
Greg Karais, Chris Beacom
Harper Street Publishing



Y2K and the SME

Tips to squash the millennium bug

by Gord Lovasz

We're less than 400 days from the next 1,000 years!

Many small- and medium-sized enterprises (SMEs) are just now becoming aware of the seriousness of the Year 2000 systems problem. But this is no time to panic. Here are a few tips that will get you on your way to dealing with the millennium bug.

Start with a plan: Inventory all items with potential problems (i.e. systems or software that use dates with two-digit years and perform a date-sensitive function). This is important because you don't want to miss anything and you'd like to keep track of how you're progressing.

Prioritize your efforts: Consider which systems are most important to your business (mission-critical) and work on those first. Don't forget about process control systems with date-sensitive embedded chips. An example of their vulnerability comes from a large food manufacturer that accidentally destroyed millions of dollars worth of food recently, when the expiry date had apparently passed. With two-digit years, an expiry date of let's say February 15, 2000 was encoded as 02/15/00. When the automated system compared that date to "today's" date, it ordered the food destroyed for being nearly a century old!

Fix the problem: The options are repair (rewrite affected code), replace (buy a replacement system, if possible), upgrade (a newer version may be compliant) or retire (not you, older systems that may no longer be of value). If you have limited technical resources, you could consider hiring outside help to deal with Year 2000 issues. A variety of pre-packaged tools and solutions is also available.

For newer systems and software, you could look into help from the original manufacturer to identify and/or correct the problem. The government also provides some relief; for example, new federal tax rules alleviate the cost of hardware and software purchases by allowing SMEs to immediately write off the equipment.

Test and implement: Upgraded, updated or new systems must be thoroughly tested, including critical dates such as the transition from 12/31/1999 to 01/01/2000, and 02/28/2000 to 02/29/2000 to 03/01/2000 (leap year test). Once testing is complete, systems can be returned to production.

Finally, remember that the Year 2000 problem is going to affect everyone, including your business partners, customers and suppliers. Be sure to investigate how they are doing with their own efforts and consider how disruptions to those businesses could affect yours. With a consistent and cooperative approach, we should all continue to successfully pursue our business objectives into the new millennium.

Last-minute help

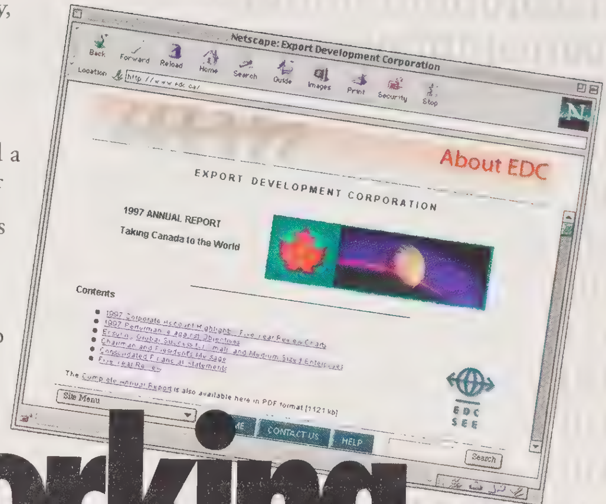
- The Year 2000 First Step program, a joint initiative of CIBC and Industry Canada's Student Connection Program, provides SMEs with a customized assessment of their Year 2000 challenges and an action plan, for a modest fee. For more information, call 1-888-807-7777 or visit the Web site at: www.scp-ebb.com/y2k.htm
- A booklet entitled *Preparing Business for the Year 2000* is available from the Canadian Bankers Association by calling 1-800-263-0231 or visiting: www.cba.ca
- Another excellent document, *Year 2000 (Y2K) Problem — Summary for Small Business Owners*, may be found at www.can2k.com

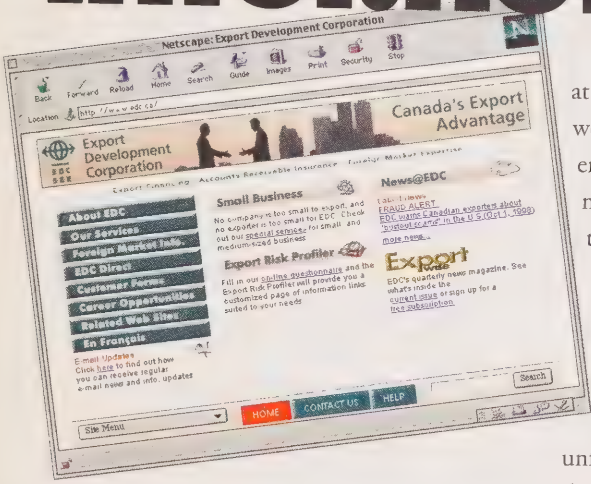
Gord Lovasz is EDC's Year 2000 Project Manager.

HELP us keep our mailing list up-to-date.

ɪhrough the
ıation on
ort Wise
es Web sites
ıd useful to
ıd export
nge, this
you to
and newly
Welcome to...

inter.net.working





www.edc.ca

Same address, different site

In September, EDC launched its improved Web site, bursting with new features, functions, information, and just enough bells and whistles to keep things interesting.

The site serves as an interactive source of information on EDC. It contains product information, a list of regional offices and other contacts, our annual report, news releases, customer forms, related Web sites and an on-line version of *Export Wise*. And that's just the beginning.

Here are some of the handy, and hands-on, features:

- To make the site more "navigable," we've added a toolbar at the bottom of the screen, one that stays with users throughout their visit. Among other things, this allows you to find specific documents at any time, by entering key words into the site's search engine; leap to any of the site's main subsections using the easy-to-find, pull-down menu; or display a list of key local and head office phone numbers to call for more information.

- For those who are unfamiliar with the information that's housed on the site, the *Export Risk Profiler* can instantly customize and present a series of Web site links that corresponds to users' individual needs. This is simply based on how you answer a short set of questions.

- We have also launched a brief e-mail newsletter that visitors can sign up for, free of charge. This monthly digest contains abstracts of market- and industry-focussed documents, product information, upcoming trade-related events and a spotlight on related Web sites. Users can also subscribe for news release headlines and Web site update notices electronically. We have been nearly overwhelmed with the number of subscribers so far.

- As a value-added service to customers, we are making available many of EDC's foreign market reports, economic bulletins and other information critical to making decisions about entering new markets. While some of this is accessible to all visitors, we have reserved much of it for exclusive viewing by EDC customers. For more details, visit the site's *Foreign Market Information* section.

We hope that you get a chance to browse through this upgraded site soon and we welcome your feedback. Please send your comments and suggestions to: ***export@edc4.edc.ca***

Contract bonding:

Unfair call protection for your letters of guarantee

by Diane Cousineau

When it comes to EDC's Performance Security Guarantee (PSG), your financial institution takes no chances. It is covered against both rightful and wrongful calls of your bank guarantee. Here is how you too can protect yourself against a wrongful call.

A rightful call is when the beneficiary uses your bank guarantee as compensation for a breach of contract on your part (*Export Wise, Summer/July 1998*), but what is the wrongful or unfair call? This is exactly what the name implies: the beneficiary has cashed in your guarantee without just cause or as a result of events outside anyone's control, such as certain political actions that make it impossible to fulfil your obligations. The risk is directly related to the business practices or ethics of your foreign counterpart, or to certain political events.

How do you assess business ethics (or morality)? Unfortunately, there is no easy answer because ethics is not something that is readily quantifiable. Nor is this risk widely publicized, because information is difficult to obtain. However, many still cite events of the late '70s leading to the deposition of the late Shah of Iran and the subsequent unfair calling of a number of Western bank guarantees.

While this happened over 20 years ago, political and financial instability continue to prevail in many parts of the world, from Asia to South America.

Price break!

EDC recently improved its Performance Security Insurance product. Coverage has been expanded to offer a 95:5 co-insurance ratio. This means that the portion of potential loss you would have to absorb has been reduced to 5 per cent from the previous 10 per cent. Pricing has also been reviewed, with EDC passing on to you its favourable claims and recoveries experience on this product line. The result: lower premium rates.

These situations can increase the risks to which you are exposed under your bank guarantees and lead to real losses. For example, when a country's financial reality changes suddenly, ready access to hard currency (through your bank guarantees) could be appealing to an unscrupulous buyer.

Is wrongful call a risk you can live with? Only you can decide, but EDC does have a tool to help manage this risk.

Unfair call coverage

Known as Bid or Performance Security Insurance (BSI or PSI), these policies are issued to Canadian exporters to protect them against a wrongful (or unfair) call of a bank guarantee by the foreign beneficiary, whether public or private. This policy stays in place for the entire validity period of the letter of guarantee. Once issued and in effect, EDC will not revoke coverage, regardless of market conditions down the road. This means that once you are insured, you have transferred the risk to EDC and protected another corporate asset.

To find out more about wrongful call insurance coverage, please contact EDC's regional office nearest you by calling **1-888-332-3777**.

Diane Cousineau is Product Manager in EDC's Contract Insurance and Bonding Group.

Streamline policy administration with EDC Direct

by Tim O'Connor

With EDC Direct, your company will save time on short-term insurance policy administration. This means that your company's valuable resources can be allocated to other tasks related to your daily operations.

EDC Direct is a free, Web-based, on-line service developed specifically for EDC short-term insurance customers. Since its initial launch in October 1997, the service has been a huge success. With more than 300 short-term insurance policyholders signed up, it's easy to see that customers value this type of service.

The service provides users with a secure, simple and fast way to help them administer their policies. For example, to submit a credit approval request using EDC Direct, customers simply fill out an on-line form and send it to EDC's central computer from the convenience of their desktop. Built-in error correction facilitates quicker turnaround time for your approvals.

"Getting a credit approval response quickly is very important to us," says Sue Cornish, Senior Credit Clerk with J.L. de Ball Inc., a textile firm in Granby, Quebec. "In order to get our merchandise out, it is very important for us to get our credit approval information faster."

With feedback from the initial users of EDC Direct, improvements have been made to its functionality, and new features have been added. These include the ability to view and print credit approval decision letters by simply clicking on the Personal Mailbox icon.

Policyholders no longer have to contact EDC to request copies of their credit approval listing. Users can now view this listing on-line from the comfort of their desktop location whenever they want — 24 hours a day, seven days a week. Users can also submit problem and overdue buyer account information, as well as view policy administration tips, download EDC forms and view our latest country and market information.

"Being able to view our listing of credit approvals on-line will be marvelous," says Cornish. "The new services will help us."

"Our goal is to provide our customers with the tools to help them do all of their routine policy administration from their own desktop, whenever they want to do it," says Dan Lussier, Business Analyst with EDC's Technology and Business Solutions Team.

Access to EDC Direct is free to all short-term policyholders. Hardware requirements are minimal. Customers need only a personal computer, modem and telephone line. To sign up, please call ***1-888-332-2349****.*

EXPORTERS BEWARE!

Scam sharks bite into export profits

by Toby Herscovitch

Bustouts, scams where a "company" places a large order and skips town, have hit industries from computer parts to textiles. What's alarming is that the scam sharks are becoming more sophisticated and organized. EDC is well positioned to track credit trends and spot "red flags." But if you still get bitten, EDC's credit insurance can mean the difference between a "hard-knocks" experience and a drowning business. Following is a rundown of how these scams work and what to watch for.

"The customer sought us out," says a credit manager with a large Canadian textile firm. "But that wasn't unusual for us; we had put our company on the Web and had already penetrated many foreign markets. Converters, independent operators sourcing goods from various textile companies to sell to others, have often brought us unsolicited business.

"In this case, Ultimate Trading from Los Angeles sent us a purchase order, along with trade references and financial statements. The company hadn't been in business very long, but the financial review came from a reputable accounting firm.

"We also called the trade references, who reported extending between $25,000 and $50,000 credit and prompt payments. Since all our export receivables are covered by EDC, it was also consulted and accepted to cover this new account."

According to a report by the National Association of Credit Management in the United States, bustout operators often invent credit histories and provide false financial statements and trade references. The latter are developed with relatives, business associates and friends. These references could be other bustout operators at work, or "legitimate" merchants who buy the goods from the scam operator. The operator may also obtain a good credit history by purchasing a reputable company with established credit. Suppliers and credit agencies, however, are not notified of the change of ownership.

"The first few orders, starting in February 1998, were in the $25,000 range and the buyer paid us promptly," recalls the credit manager. "Then, in June, Ultimate Trading ordered about $45,000 worth of goods. The customer told us he was planning to open his own small mill, even discussing the machinery he ordered."

"After the order was shipped, everything went 'kaput.' Having the backing of EDC was a relief!"

"At this point, however, he still owed us about $20,000 on a previous invoice, so we said that we would only ship the goods if he paid the balance, plus an advance of $25,000 for the new order. He agreed, but when we received the cheques, the "advance" was post-dated. He excused himself, reminding us that he was just starting up his new business, but promised that the money would be available shortly and meanwhile, didn't we have a good business relationship?

"After the order was shipped, everything went 'kaput' — the post-dated cheque bounced and Ultimate Trading was nowhere to be found! Without a doubt, having the backing of EDC was a relief in this kind of situation."

Oh, what a tangled web!

It turns out that this textile firm wasn't the only EDC policyholder caught in this web of deceit, nor was Ultimate Trading the only weaver. "The fraud affected five policyholders in our Base and Semi-Manufactured Goods Team, all textile firms, for a value of more than $700,000," says Financial Services Manager Suzanne Shillington, one of whose accounts alone was hit for nearly $300,000.

Shillington subsequently got in touch with the Los Angeles Police Department and an L.A. private investigator, Adam Dawson, who was already on the case for some factoring company victims in the United States. According to Dawson: "The list of textile companies taken in by this fraud reads like a 'who's who' of the industry. Combining the value of the unpaid-for orders and the bogus accounts receivables paid out by the factors, the total losses in this scam amounted to about $7.5 million."

Adds Shillington: "It got very messy: Ultimate Trading was linked to another L.A. mill (the one it was supposedly buying) and was a trade reference for Pacific Sunset Textiles, which also skipped out on its Canadian suppliers, our policyholders. Then it turned out that some of the principals in these firms had worked for another L.A. textile company which supposedly went bankrupt a few years ago — leaving one of our customers with a claim of nearly $150,000."

From spider's web to hornet's nest

According to U.S. authorities, all the textile firms involved in this particular fraud were based in Los Angeles, but they warn that the scam may be spreading. Incidents have occurred in Texas, Florida, New Jersey and New York, and have affected other industries.

Bustout operators usually use trade shows to target many companies and place several hundred orders simultaneously. Typically, they start by placing small orders and pre-pay the invoices or pay in full when due. As soon as the goods come in the "front door," they are sold out the "back door," to generate cash flow. Then the operator orders big, sells cheap, pays nothing and skips town. What's more, the scam operators may sprout right up in new places, change their names and hit on the same victims!

"Several of our textile customers are now asking a lot more questions when an order comes in from a new customer. And they are consulting us even when the value of the order is below their discretionary limit (i.e. when they would normally make the credit decision themselves)," says Shillington.

L.A. Confidential to Miami Vice

As these textile bustouts were unfolding this past summer, a similar scam was being perpetrated in the advanced technologies sector. This time, explains Daniel Ross, EDC Claims Services Manager: "A firm in Miami, Florida, and another outside Columbus, Ohio, got hold of dormant computer companies, put cash into the accounts to improve the financial statements, received good reports from credit rating agencies and started ordering computer parts. By the time the invoices came due, the buyers were nowhere to be found."

Two of our customers would have been out some $200,000 and $150,000 respectively, if not for EDC receivables insurance.

Last year, a similar pattern showed up in a European-based scam that affected several Canadian seafood companies, notes Gerry Bourbonnais, EDC Claims and Recoveries Manager. "The fraudulent firms, operating out of Italy, bought out inactive companies with no past negative credit information. Then they obtained supplier lists from the local Chamber of Commerce and sent letters along the lines that their current suppliers did not have the capacity to satisfy their growing needs."

Once the companies got the seafood...well, the food wasn't the only thing that got digested without a trace. Similar incidents were also reported in Spain by the Spanish Export Credit Agency.

"It's a typical international fraud set-up," says Staff Sgt. Fred W. Pratt of the RCMP Economic Crime Branch. "We've seen it in computer parts, paper and oil field equipment. For a while, many of these incidents originated in Nigeria. Often the criminals change locations, change names and start again. Their references can come from someone answering a phone on the next desk."

He suggests that the only real protection against some of these con artists is establishing some kind of personal contact, either directly or with the help of Canadian trade counsellors in the country or local trade and commerce associations. He also stresses the importance of tracking

Fraud survey

KPMG, one of Canada's largest professional services organizations, recently released its seventh annual fraud survey. The questionnaire was sent to the chief executives of Canada's top 1,000 public and private companies and received a 21% response rate. Following are a few of the latest results:

- 57% of respondents reported that fraud had affected their organization in 1997.
- The average amount of money lost to fraud in 1997, by Canada's largest companies, was $1.3 million.
- The greatest source of fraud was from employees, identified by 77% of respondents, with customers identified by 39%.
- Employees accounted for 48% of fraud-related financial losses and customers, 29%.
- 69% of respondents conducted business internationally. Of these, 15% said they were victims of international fraud.
- The most frequently cited countries or regions where frauds originated were the United States (reflecting its position as Canada's largest trading partner), Nigeria and Latin America.

Export wise Index

Fall 1997-Winter 1999

Article	Issue	Page
Africa, renaissance	Summer 1998	16
AgFITT: Training program for agri-food industry	Fall 1997	8
Agri-food, cultivating growth in	Winter 1999	16
Aircraft exporters: EDC helps Canadian aircraft exporters reach new heights	Spring 1998	22
Asia: Global economic outlook	Spring 1998	17
Asia, getting a piece of the action	Spring 1998	9
Asia Pacific: EDC in for the long haul	Spring 1998	12
Asia Pacific, helping smaller exporters access	Fall 1997	9
Asia update	Fall 1998	21
ATI, profile of	Fall 1998	17
Attila Dogan Design and Construction	Summer 1998	14
Auto industry: Wheeling & dealing abroad	Summer 1998	4
Auto industry: Tier 2s gear up for world markets	Fall 1998	12
Automotive exporters: EDC goes the distance	Spring 1998	23
Bangladesh, poised for growth	Fall 1997	12
Barry Group: Seafood firm uses EDC to spawn growth	Winter 1999	18
Brazil, beating a path to; at a glance	Winter 1999	22

Article	Issue	Page
Contract bonding: Accessing guarantees without tying up your cash	Summer 1998	9
Contract bonding: Accessing surety bonding capacity	Fall 1998	8
Contract bonding: Unfair call protection for your letters of guarantee	Winter 1999	10
Czech Republic, at a glance	Winter 1998	23
Database: DFAIT's WinExport	Fall 1997	5
EDC Direct: EDC credit approvals now just keystrokes away	Fall 1997	4
EDC Direct, streamline policy administration with	Winter 1999	11
Egypt, at a glance	Summer 1998	23
Emerging markets: Early entry yields long-term results	Fall 1997	10
Entrepreneurs, hot young	Winter 1999	7
Equity Team: A catalyst for export opportunities	Fall 1997	6
Europe, Eastern	Winter 1998	20
Europe, Western	Winter 1998	17
Export credits and the environment	Spring 1998	8
Financial crisis, fending off	Winter 1999	23
Forestry, exports grow despite challenges	Winter 1998	12

Export news

A Supplement to **Export Wise**

Joseph Margulies (centre), Vice-President and Secretary Treasurer, Canada Allied Diesel Co. Ltd., accepts the Canada Export Award and EDC Smaller Exporter Achievement Award on behalf of his company, from The Honourable Sergio Marchi, Minister for International Trade, and EDC President and CEO A. Ian Gillespie (story, page 2).

Legislative review:

How well does EDC meet its mandate?

by Tim O'Connor

The effectiveness of EDC in meeting its mandate is being assessed through an arms-length legislative review which began in fall and is expected to run until spring 1999.

The review gets right to EDC's purpose, by addressing whether EDC is doing the best job possible of supporting Canadian exporters and investors and doing so in a manner that provides maximum value for Canadian taxpayers.

The *Export Development Act*, EDC's governing legislation, states that five years after coming into force (1993), the Act must be reviewed. In so doing, the review examines if the Act enables EDC to effectively provide financial services to facilitate trade, or if it restricts in any way EDC's efforts to meet the needs of exporters and investors in the future.

In addition, the review looks into the need for EDC to strengthen its unique role. How can EDC better support the evolving needs of Canadian exporters and investors in foreign markets to provide Canada with a competitive advantage?

The review process is open, thorough and objective and is being conducted by an external firm at arms-length from EDC. Consultations with exporters and other stakeholders were recently held in major Canadian cities. The Review Team is also conducting focus groups and a customer survey, and entertaining written submissions from stakeholders and other interested parties. It is expected to present findings to the Minister for International Trade and the Minister of Finance in the spring of 1999.

For more information, please contact: Guy David or Max Faille, Gowling, Strathy & Henderson, at (613) 233-1781; or visit the Review Team's Web site at www.gowlings.com

Enhancing trade with China

by Alison Nankivell

As EDC activity in China grows, so too does its partnerships with Canadian organizations dedicated to enhancing trade and investment between the two countries.

During the 20th anniversary Annual General Meeting (AGM) of the Canada China Business Council, November 18-20 in Beijing, Senator Jack Austin, CCBC President, and EDC President and CEO A. Ian Gillespie announced the Corporation's new partnership with the CCBC, as a Founding Sponsor.

In this position, EDC joins a select group of companies dedicated to enhancing bilateral trade with China. EDC's commitment will help ensure the long-term viability of the CCBC as a private-sector membership organization offering business services, market information and policy advice. EDC also brings to the CCBC essential international business experience which has been instrumental in helping Canadian firms succeed in China.

For EDC, Founding Sponsor status enables the Corporation to further develop its relationships with senior Chinese officials and to broaden its dialogue with, and support to, Canadian companies active in the China market.

...continued on page 4

And the winners are...

by Toby Herscovitch

Fall was a cool season for some hot awards. The winners include both experienced and novice Canadian exporters... as well as EDC itself. Here is a brief round-up of who's who in the winners' circle:

1998 Canada Export Awards

What do swimming pools, seafood, diesel engines, picture archiving systems and advanced optic sensors have in common? They're some of the outstanding products that have helped their firms snag the coveted 1998 Canada Export Awards. The 16th annual awards were presented to 10 Canadian companies on October 5, 1998, in Calgary, Alberta.

As a proud sponsor of the awards, EDC gives special recognition to a growing SME exporter through the **EDC Smaller Exporter Achievement Award**. It was presented this year to Canada Allied Diesel Co. Ltd. (CAD), supplier of diesel engines for locomotives, ships and electrical generators in 27 countries. Total sales, with exports accounting for 90 per cent, surpassed $20 million in 1997, up 33 per cent from 1996. Says CAD President and CEO Gerald Rosen: "Guarantees from EDC often make the difference between winning and losing a contract."

The award ceremony was held in conjunction with the third annual convention of the Alliance of Manufacturers & Exporters Canada.

"Grand Prix" of Exporting

Quebec's second annual export awards gala (Les Grands Prix de l'Exportation) honouring its best export performers was held this past fall in Montreal. One of the awards went to the financial institution with the most innovative export financing services — none other than EDC.

"The award especially recognizes EDC's effectiveness in serving small- and medium-sized exporters," says José Nicolas, Director, EDC's Emerging Exporter Team. EDC`s support to SMEs, which make up more than 85 per cent of its customer base or about 3,500 companies, increased 11 per cent in the first half of 1998, compared to the same period last year.

Besides celebrating its own success, EDC congratulates its customer Consoltex Canada Inc., a large textile manufacturer, which received the export award in the textile category.

Ontario Entrepreneur of the Year

"ATI has done well because we always export," says K.Y. Ho, President and co-founder of Canada's third largest high-tech firm. "Well" is a modest word for a company whose sales soared 30 per cent from 1996 to 1997, then another 66 per cent by fall '98 (topping $1 billion)... and which recently captured the Ontario Entrepreneur of the Year Award.

The Thornhill-based company makes graphic chips and related computer products that put life into multi-media software. During the award presentations, sponsored by Ernst & Young, Ho credited EDC with helping his company establish a strong export market. Today, nearly 97 per cent of ATI Technologies' sales come from exports.

Two other EDC customers went away winners in their categories: Premdor of Mississauga, one of the world's largest manufacturers of wood doors; and Promis Systems, a software supplier based in Toronto. *Congratulations to all!*

John Hutchison (left), Vice-President, SME Services, receives the financial institution "Grand Prix" on behalf of EDC from Alain Dubuc, Editor in Chief of La Presse, the award sponsor.

Mailbox

The following letter was sent to EDC's Montreal office by Cambior, a Montreal-based customer engaged in mining.

I would like to congratulate you on the award for "financial institution of the year," that EDC received during the (Quebec) Export Awards Gala on September 23 in Montreal. This award reflects your excellent reputation with exporting firms as well as the good service and judicious advice that you provide.

Robert LaVallière
Director Investor Relations, Cambior

Congratulations to all the Canada Export Award winners

A.L.I. Technologies Inc., *Richmond, B.C.*
Canada Allied Diesel Co. Ltd., *St. Laurent, Que.*
CrossKeys Systems Corporation, *Kanata, Ont.*
Davis Strait Fisheries Ltd., *Halifax, N.S.*
Genesis Microchip Inc., *Markham, Ont.*
Global Thermoelectric Inc., *Calgary, Alta.*
Northern Digital Inc., *Waterloo, Ont.*
Prologic Corporation, *Richmond, B.C.*
Standard Aero, *Winnipeg, Man.*
Vogue Pool Products, *LaSalle, Que.*

Overheard...

"Despite Canada's widely recognized engineering strengths, and its ranking by *Engineering New Record* as fourth in the world in the supply of consulting engineering services, most Canadian firms will be relegated to the sidelines of the coming public-private infrastructure (PPI) bonanza — that is, unless Canada's financial community, the business community and the government can come together to make it easier for Canadian firms to compete globally...

"When it comes to structuring a winning bid, Canadian companies are discovering that technical engineering is often less important than financial engineering.

"We have all the necessary ingredients in this country to capture our fair share of the global PPI market — a market that holds out vast opportunity for job growth and wealth generation over several decades to come."

A. Ian Gillespie, EDC President and CEO, at an Industry Canada Conference on Winning in Global Infrastructure Markets *in Ottawa (September '98).*

New cover for pre-receivables risks

by Tom Kowbel

In keeping with EDC's objective to offer Canadian exporters a comprehensive array of financial solutions, EDC now has available a new insurance option to meet specific pre-receivables risk coverage needs.

The Specific Transaction Insurance (STI) Pre-Receivables Policy is for exporters who are seeking protection only against losses to which they are exposed prior to being in a position to invoice the buyer for payment. The main risk covered is that of contract termination.

Exporters with contracts that provide for secure terms of payment may not be concerned with payment-related risks of the buyer. However, they are still exposed to the risk of the contract being terminated by the buyer arbitrarily, or as a result of a political action or event prior to the shipment of goods or attainment of a specified milestone.

In those circumstances, the exporter may not be able to generate an invoice to claim payment, but may still suffer a loss in respect of costs incurred prior to the contract termination.

The STI Pre-Receivables Policy is designed to protect exporters against such risks. The policy protects against losses resulting from buyer contract termination and from political risks. The latter includes war and related disturbances, or a government's cancellation of export or import permits, which would prevent exporters from completing their contract obligations necessary to generate a receivable.

The policy does *not* cover buyer non-payment of instalments due, pursuant to the terms of the contract. Once the receivable is created, the exporter bears the non-payment risk in respect of that receivable. As a result, the policy's pricing reflects the narrower scope of coverage.

LOC in Lebanon

EDC recently established a US$10 million line of credit with Crédit Libanais, one of the largest banks in Lebanon. It will be used to finance the purchase of Canadian goods and services by Lebanese buyers. Present at the signing are, from left (first row): J. Domokos, EDC's Vice-President, International Markets (IM); A. I. Gillespie, EDC President and CEO; and Dr. J. Torbey, Crédit Libanais; (second row): G. Lemieux, DFAIT; M. Harb, MP; I. Tadros, IM; G. Khoury, Crédit Libanais; His Excellency Dr. Jaber, Ambassador, Embassy of the Lebanese Republic; B. Gibson, DFAIT.

Enhancing trade

...continued from page 1

"I am very pleased that EDC has become the 10th Founding Sponsor for the CCBC," says Gillespie. "I am confident that our next five years of cooperative efforts will be to everyone's advantage, including our mutual clients."

EDC played a high-profile role at the AGM this year, with Gillespie chairing a Risk Management panel and EDC co-sponsoring an address to the meeting by People's Bank of China Governor Dai Xianglong. Both Canada's Prime Minister Jean Chrétien and China's Prime Minister Zhu Rongji attended the AGM's gala banquet. Also present was Canada's International Trade Minister, Sergio Marchi.

Attendance up at automotive seminar

*EDC's second annual **Gearing Up for Global Success** seminar, held October 21 in Windsor, Ontario, attracted more than 100 participants from all sectors of the automotive industry, about double last year's attendance. The event was sponsored by PricewaterhouseCoopers. Pictured are Ruth Fothergill, EDC's Vice-President, Ontario Region, and featured speaker Dennis DesRosiers of DesRosiers Automotive Consultants.*

Upcoming Events

"Let's Talk Risk" Workshops

The popular and evolving series examining economic, political and industry-specific financial risks around the globe, of practical interest to Canadian exporters, moves into its 17th year. Following is the 1999 schedule, with each workshop tailored to the specific needs of each region:

Monday, April 12	**Vancouver**
Tuesday, April 13	**Calgary**
Wednesday, April 14	**Winnipeg**
Thursday, April 15	**Edmonton**
Friday, April 16	**Saskatoon**
Tuesday, April 20	**London**
Wednesday, April 21	**Toronto**
Tuesday, April 27	**Moncton**
Thursday, April 29	**Halifax**
Monday, May 17	**Montreal**
Tuesday, May 18	**Quebec**

For more information, please contact EDC's regional office nearest you (see inside back cover) or Lyne Hébert at (613) 598-2774; e-mail: hebely@edc4.edc.ca

Canada/U.S.A. Women's Trade Summit '99

May 17-21, Toronto

EDC is a key sponsor of this event, a follow-up to the successful 1997 Canadian Businesswomen's Trade Mission to Washington D.C. In interviews with 101 participants, representing businesses with total sales exceeding $320 million, some 20 per cent said that they gained new business in the United States as a result of the mission. The 1999 summit will include workshops on export finance and assessing credit risks, led by EDC.

For more information, please contact the event organizer, Andrina Lever, at (416) 920-5114; e-mail: andrinagl@msn.com

Claims Paid

January 1, 1998 - October 31, 1998

Companies
458

Claims
1,125

Cdn $ Total
$49,193,956

Export Markets	**Count**
Africa & Middle East	14
Asia & Pacific	47
Europe	67
South America	27
U.S.A. & Caribbean	970

Risks	**Count**
Default	871
Insolvency	235
Call of Bond	5
Repudiation	13
Political and Transfer	0
Termination of Contract	1
Import Permits	0

Payments	**Count**
Under $5,000	575
Between $5,001 and $100,000	486
Between $100,001 and $1 million	56
Over $1 million	8

Article	Issue	Page
France, at a glance	Winter 1998	22
Fraser Cedar, adds value to shakes and shingles	Winter 1998	15
Fraud: Exporters beware! Scam sharks bite into export profits	Winter 1999	12
Germany, at a glance	Winter 1998	22
Ghana, at a glance	Summer 1998	19
HorizonsPlus helps new and seasoned exporters	Fall 1997	8
Hungary, at a glance	Winter 1998	23
Indonesia, at a glance	Spring 1998	14
Information technologies, global success in; industry survey	Fall 1997	16
Information technologies: Tech treks; customer survey	Fall 1998	13
Innovitech: Virtual reality meets financial reality	Fall 1998	8
Inter.net.working: Export Source; Trade Show Central	Spring 1998	7
Inter.net.working: WorldPages, Agri-Food, Trade Service Online, Canadian Environment Industry Association	Summer 1998	7
Inter.net.working: Canadian Advanced Technology Alliance, PROFITguide	Fall 1998	6
Inter.net.working: www.edc.ca: same address, different site	Winter 1999	9
Latin America, fostering trade with	Winter 1998	10

Article	Issue	Page
Latin America, say si! to	Winter 1999	19
Malaysia, at a glance	Spring 1998	14
MARG training: Exporters reap benefits	Fall 1997	7
MegaSys: Watchdog product addresses critical niche	Fall 1997	18
Mexico, momentum in; at a glance	Winter 1999	21
Middle East and North Africa, the changing face of	Summer 1998	20
Morocco, at a glance	Summer 1998	23
Newbridge, profile of	Fall 1998	17
NorthStar: Anatomy of a deal	Winter 1999	6
NorthStar: Volumes rising, business expanding	Winter 1998	6
OECD: 20 years of consensus	Fall 1998	10
Oil & gas industry, Fuelling growth in the	Summer 1998	11
Peterborough Paper Converters: Converting sales leads into export business	Winter 1998	16
Philippines, at a glance	Spring 1998	14
President, from the: The environment comes to the forefront	Fall 1998	3
President, from the: Turning crisis into opportunity	Winter 1999	3
President: Interview with A. Ian Gillespie	Winter 1998	4

Article	Issue	Page
Propak turns to EDC for risk management, financing	Summer 1998	15
Romania, at a glance	Winter 1998	23
SIAL: PSG helps get SIAL contract off the ground	Summer 1998	10
SMEs: GrowExport program; claims paid	Winter 1998	8
SMEs: Can you really guarantee success?	Spring 1998	4
SMEs play critical role in large export contracts	Spring 1998	5
SMEs: Wading through the risks of the U.S. market	Fall 1998	4
South Africa, at a glance	Summer 1998	19
South Korea, at a glance	Spring 1998	14
Sri Lanka: Regional hub in the making	Fall 1997	13
SR Telecom: No location too remote for SRT technology	Fall 1997	19
Stageline: Bringing all the world a stage	Winter 1999	4
Thailand, at a glance	Spring 1998	14
TIW, profile of	Fall 1998	17
Transportation sector: Keeping up to speed	Spring 1998	19
United Kingdom, at a glance	Winter 1998	22
U.S.A.: Boom times; best sellers; at a glance	Fall 1998	24
Vietnam: Laying the groundwork	Fall 1997	14
Vortek, profile of	Fall 1998	17
Web site (EDC), growing in size and popularity	Fall 1997	5
Web site (EDC), same address, different site	Winter 1999	9
Y2K and the SME: Tips to squash the millennium bug	Winter 1999	8
Y2K, avoiding credit risks of	Fall 1998	7
Year 2000 and beyond, making claims in the	Summer 1998	8
Year 2000, poses threat to computer users	Winter 1998	8
Year 2000: 10 steps to a successful transition	Spring 1998	6

For copies of any of the articles listed, please contact the editor at (613) 598-3093 or fax (613) 598-3080.

EDC
SEE

Minimize risk.
Export with
confidence.

Export Development Corporation
Phone: **1-888-332-3320**
Fax: **(613) 237-2690**
Telex: **053-4136**
E-mail: **export@edc4.edc.ca**
Internet: **http://www.edc.ca**
Smaller Exporter Hotline:
1-800-850-9626

Head Office:
151 O'Connor Street
Ottawa, Canada
K1A 1K3
Tel.: (613) 598-2500
Fax: (613) 237-2690

buying patterns: "If your buyer has been making small orders and suddenly puts in a large order, that should raise a flag for caution."

Crimes of desperation

Another frequent fraud scenario, adds Ross, himself a former RCMP officer with the Economic Crime Branch, stems from companies on the verge of bankruptcy or in very poor financial health. They may suddenly purchase abnormally large amounts of goods and use the merchandise to pay the secured creditors (e.g. banks), leaving the unsecured suppliers holding the bag. EDC has in some cases been able to alert customers before the downfall.

"Frauds are always easier to perpetrate against the weakest link in a chain, and often that's the SME without the backing of an organization like EDC," says Ross.

"We can keep track of the fraud pattern and report it to other EDC customers and agencies around the world, affecting the scam operator's ability to get credit from other Canadian and international sources.

"Surveys show that the probability of collection diminishes greatly over time, with a 90 per cent success rate for accounts 30 days overdue; 60 per cent at 90 days; and 25 per cent by 150 days," adds Ross.

"In other words, customers should contact us as soon as they suspect a problem. Then we can bring our experience and international clout to bear on the account to help limit the loss and, in the case of outright fraud, help prevent customers from being victimized again. EDC can also warn other policyholders who might be targeted."

How alert are you?
10 things to watch for

1 Relatively new companies with very good financial statements and bank reports, or small companies that are growing by leaps and bounds.

2 Trade references who say they are "acquainted with management" or give an immediate glowing report without checking records, as they may be co-conspirators in the scam.

3 No corporate bank account or an existing account that has no funds. Verify that the signer on the cheque is the business owner.

4 Unsolicited purchase orders or rush orders from new accounts.

5 Small initial orders from new companies and then a large order. Watch for companies that have established credit over a period of time and then use the excuse of expansion to justify huge increases in ordering.

6 A credit reference that uses a post office box, and one that has no business telephone listing or has a telephone number but no address. Confirm with directory assistance that there is a company with the telephone number provided. Check if the reference is in the same industry as the company.

7 Credentials of the principals and past employment. Evidence of the principal being involved in previous failed businesses. Full address of the company. If you have a hard time reaching someone before you extend credit, what are the chances of reaching that person after you've shipped the goods?

8 Orders out of proportion to the size of the company or other suspicious conditions (i.e. no receivables, low inventory, disproportionate liabilities to assets, leased equipment). Financial statements provided are often fraudulent, so call the accounting firm whose letterhead appears on them.

9 A large number of inquiries from other suppliers regarding a new account. Tell them that you are receiving many inquiries.

10 Refusal of the buyers to reveal to whom they are selling the product.

Source: U.S. National Association of Credit Management

Cultivating growth in agri-food

Canadian agri-food exporters have been outperforming expectations as they take their quality products worldwide. And as they offer more open terms of sale to increase their competitive advantage, demand for EDC short-term insurance has taken a giant leap.

While we naturally think of wheat first, agri-food actually covers everything from grain, through seafood and meat, to canned goods, bottled water, juice, wine and beer.

The industry is one of Canada's top five, accounting for about 10 per cent of the country's gross domestic product (GDP) and employing about two million people. According to a report by the Department of Foreign Affairs and International Trade, for every $1 billion of value-added exports, 11,000 Canadian jobs are maintained or created.

By 1996, Canada's agri-food industry had already surpassed millennium export targets of $20 billion. A year later, exports rose 10 per cent, from $21.6 billion to nearly $24 billion. Industry analysts predict that if current export growth trends continue, Canada could reach four per cent of world trade in agri-food by 2005, an equivalent of $40 billion.

Today, Canada's top exports are bulk grains such as wheat, meat and meat offals, live animals, bulk oilseeds (mainly canola), beverages and spirits. In 1997, Canadian companies rang up bulk grain exports, primarily wheat, to the tune of some $8 billion — more than a third of overall agri-food exports. Live animals, meat and offals ranked second, accounting for more than $5 billion.

More than half of these exports went to the United States, some 12 per cent to Japan, 8 per cent to the European Union, 6 per cent to China and 2 per cent to Mexico. The remaining 20 per cent was shipped to about 200 other trading partners.

It's hardly an accident that Canada does well in agri-foods. The country has reliable supplies of quality raw materials provided by well-run family farms. In addition, the country boasts one of the world's best food inspection systems, cutting-edge research, world-class industry management and competitive pricing.

Growing the business

"Exporters who are succeeding in this challenging and fluid environment are knowledgeable, and well prepared to meet international competition head on," says Jean Beaulieu, EDC's Consumer Products Team Leader.

"The major change we've seen in the past five years, with the industry's tremendous growth, is that exporters who traditionally sold on letters of credit are changing to open terms, extending credit for 30 to 60 days to compete better."

As a result, more firms are coming to EDC for short-term insurance and credit information, because they

> **"Agri-food exporters who traditionally sold on letters of credit are extending credit for 30 to 60 days to compete better."**
>
> *Jean Beaulieu, EDC*

want to mitigate their risks. EDC customers run the gamut from small traders who have developed niche markets to large Canadian companies with household names.

In recent years, EDC's support for companies in the agriculture, food and fish sectors has grown dramatically. From 1996 to 1997, EDC's total agri-food business volumes grew from $948 million to $1.2 billion — up 27 per cent.

Trends, however, can change very quickly. "Economies that are stable today could be in turmoil tomorrow. This fact makes it important for firms to mitigate the risks of non-payment, through buyer default or political turmoil, in order to pursue their growth strategies with confidence," says Beaulieu.

A few years ago, Rougemont, part of Quebec-based Lassonde Industries Inc., discovered how valuable EDC "intelligence" could be, as it geared up to sell its fruit juices to a new foreign buyer. "EDC advised us against selling to that company and it was right. That company went bankrupt soon afterwards!" says Robert Theoret, Assistant Director of Exports at Lassonde.

In business since 1918, Lassonde began to export in 1989. Today it is selling its juices and fruit to more than 40 countries, with exports constituting about 10 per cent of the firm's revenues.

"It is part of our policy now that all of our export sales must be insured or guaranteed. For this purpose, we use EDC," says Theoret.

"Worrying about getting paid is a barrier to exporting. EDC's service gives us peace of mind. If a buyer defaults, it won't hurt so much if we are insured by EDC."

Aside from alleviating worries about getting paid, EDC insurance allows the company to offer extended terms of up to 90 days to its foreign buyers, helping it clinch more sales.

Fertilizing opportunities

"EDC's insurance products, foreign market expertise and thorough understanding of the challenges facing Canadian agri-food producers help smooth the way for exporters' success," says Beaulieu.

"Our service is fast, personal and tailored to meet the customer's needs. In a less conspicuous manner, we're also supporting a lot of firms through our insurance program with Canadian banks," he adds. "If the financial institution reaches its limit for letters of credit in a certain country, we will insure 90 per cent of the value over that limit." The result: Canadians can "grow" their business in that country.

Barry Group:

Seafood firm uses EDC to spawn growth

Photo: Irene McNeely

Four generations after the Barry Group was founded in Corner Brook, Newfoundland, its seafood-processing companies are sailing into international markets. Billowing with them is a reputation for reliability, quality and competitive pricing that has won them long-time partnerships with customers, and a rewarding relationship with EDC.

"We are mainly a processor and our ability to produce a consistent quality product is secondary only to our expertise in procuring high quality raw materials from around the world, to ensure our customers' needs are met," says the Barry Group's Director of Sales Glenn Feltmate.

This reputation has made the privately-owned Group one of Canada's largest producers of such products as herring, ocean perch and crab — a success achieved with a relatively small marketing team. The product line also includes cod, halibut, shrimp and scallops.

Customers are worldwide — in Europe, China, Russia, Japan and, occasionally, the Middle East. "Increasing export sales have kept our plants running, and allowed the company to add the technological developments that keep our product quality and service up to customers' requirements," says Feltmate.

Depending on the season (and which species are most plentiful then), the Barry Group can employ more than 3,000 people throughout its operations in Atlantic Canada.

"While exports have always been part of the picture, about a decade ago these companies started to really make their move into the global marketplace," says Feltmate. "With these efforts, our sales grew about tenfold. Exports now account for approximately 90 per cent of our sales!"

While the Group has been purchasing EDC insurance for more than a decade, this relationship expanded after its largest division, Seafreez, was established in 1990. Seafreez sells mainly to the United States, with some exports to Europe, while its sister company, Cold Ocean, specializes in overseas sales.

"With EDC support, we've been able to develop a good following throughout the United States," says Feltmate. "Without the insurance on our receivables, we would not have had the comfort level to make the business grow as well as it has.

"The insurance has also helped us expand globally. We do as much as we can with foreign letters of credit, but we simply would not be able to sell to some customers in certain markets, because of the risks involved.

"We always do extensive credit checks with new buyers and we have a good debt ratio, but it only takes one bad debt to cause problems. Whenever we've had to make a claim, after exhausting our own efforts to collect, EDC has reacted quickly."

Feltmate also notes that EDC insurance has helped with the company's line of credit at its bank. "The bank margins our receivables at a higher percentage when they are insured."

Over the past five years, the Group has done a brisk business with EDC's help. "Not only have the Group's members been excellent clients, they are extremely knowledgeable about the industry. We've had an excellent rapport with them," adds Financial Services Manager Irene McNeely.

Say Sí! *to Latin America*

by Toby Herscovitch

Since NAFTA paved the way in 1994, many Canadian companies seeking export expansion beyond the United States have gravitated towards Mexico. Others have been drawn deeper into Latin America, into the huge South American market, which has proven amply rewarding to those companies that have stayed the course. In many cases, EDC has built business and financial relationships that have helped open and consolidate these markets for many of its customers.

"Many Canadian exporters are taken by surprise when they enter the Latin American market, particularly South America," says Claudio Escobar, EDC's Regional Manager, International Markets (Chile, Argentina, Peru). "They are struck by the cosmopolitan flavour and international trade culture. After all, that continent has been doing business with Europe and Asia for centuries.

"While trade with Mexico can be a useful platform to help launch Canadian exporters into Latin America, it doesn't always prepare them for doing business with countries like Brazil, Chile and Argentina. These markets have their own highly competitive environments, affecting everything from quality and price expectations to after-sales service."

One thing they all have in common is that success requires a sustainable effort. "To do business in Latin America, you need to make a long-term commitment and to build up trust through personal and institutional relationships. Most successful exporters eventually set up an infrastructure in the region to, at the very least, service their customers better," adds Escobar.

Many Canadian firms have already discovered that building these links can be very rewarding. Since 1990, Canada's exports to Latin America have grown faster than its overall exports. The region now accounts for 11 per cent of

Canadian sales to countries other than the United States.

Total Canadian trade with Latin America and the Caribbean climbed from about $10 billion in 1993 to nearly $18.5 billion in 1997. Canadian direct investment in Latin America tripled between 1990 and 1995 and doubled in Mexico between 1994 and 1997.

Powerhouse companies

In spite of the financial contagion affecting virtually all emerging markets today (see page 23), the push towards privatization that began in the early '90s has created some powerhouse companies in Latin America. "The strong industrial fabric of countries like Brazil, Argentina and Venezuela can help these nations weather some of the (economic) storms and solidify the strength of the region," says Douglas Ward, EDC's Regional Manager for Brazil and Venezuela.

In addition, freer trade and commerce within South America is enabling large corporate groups to grow and expand throughout the continent. "Already some of these conglomerates are taking the next step to consolidate their international presence. EDC is building relationships with these companies so that they look towards Canadian suppliers and services when they are building up their businesses — and their nations."

Adds Luc Dupont, EDC's Regional Manager for Mexico: "In a recent rating of worldwide companies with the best growth prospects, seven (out of 35) were Mexican. I see this as a sign of a potentially strong economy. Look at Grupo Mexico — for more than a decade EDC has been dealing with this company, through financing for the purchase of Canadian goods and services. During this time, the company has grown into an internationally competitive conglomerate importing products ranging from smelters and aircraft, to drilling rigs and rail transportation equipment.

"To do business in Latin America, you need to make a long-term commitment and to build up trust through personal and institutional relationships."

Claudio Escobar, EDC

"Now we have an excellent relationship with this corporate giant, to the point that it will ask us: 'Do you know a reliable Canadian company that can supply us with capital goods and services?' We can't guarantee, of course, that the Canadian company will get the business, but we can make Canadian supply capabilities part of the procurement process through attractive financing solutions."

Telecommunications, oil and gas, transportation, mining and power offer some of the best export opportunities in Latin America for Canadians. In 1997, EDC supported $3.4 billion in sales and foreign investment in Latin America, through short- and medium-term loans and insurance, political risk insurance and project financing.

In the latter category, EDC is supporting some of the biggest projects on the continent involving Canadian exporters. "Recently, EDC was part of the arranging groups on three oil and gas projects in Venezuela: Petrozuata, Cerro Negro and Sincor. We also had important roles on three mining projects in South America, including Cajamarquilla in Peru (zinc smelter expansion) and Collahuasi in Chile (copper), and provided political risk insurance for a gold/copper mining project (Alumbrera) in Argentina," notes Sandy Reid, Team Leader, Project Finance.

"Project sponsors look to develop high quality, low cost deposits or reserves wherever they are to be found, and this gives rise to project opportunities and challenges in emerging markets like those of Latin America."

Aside from its rich natural resources and sophisticated business network, Latin America counts among its advantages a population of 450 million, and the growing disposable incomes of its city dwellers. The Free Trade Area of the Americas (FTAA), promised for 2005, will complement the regional trade agreements already in place. (The FTAA, which encompasses North, Central and South America and the Caribbean (except Cuba) is still being negotiated.) All this can only enhance export opportunities for Canadians in the long run.

Addition ☐ **Deletion** ☐ **I.D. #** ______________ *(as it appears in upper left corner of your mailing label)*

Name

Title

Company Name

Telephone

Address *(please include full address)*

Change ☐ **From:**

Name

Title

Company Name

Telephone

Address *(please include full address)*

To:

Name

Title

Company Name

Telephone

Address *(please include full address)*

Help us better understand your needs.

Language preference

☐ English
☐ French

You are... (choose one)

E1 ☐ currently exporting
E2 ☐ not exporting
E3 ☐ considering exporting

Export volume (choose one)

V1 ☐ Less than $1 million
V2 ☐ $1 million to $5 million
V3 ☐ More than $5 million
V4 ☐ Not applicable

☐ **I would like an EDC account manager to contact me.**

MAIL POSTE

Canada Post Corporation
Société canadienne des postes

Postage Paid
if mailed in Canada
Business Reply

Port payé
si posté au Canada
Réponse d'affaires

0184194799 01

0184194799-K1A1K3-BR01

EXPORT WISE
EXPORT DEVELOPMENT CORPORATION
151 O'CONNOR ST
OTTAWA ON K1A 1K3

Momentum in Mexico

"Mexico is a natural market for SMEs seeking to expand beyond the United States," says Luc Dupont, EDC's Regional Manager for Mexico. Canadian exports to Mexico were close to $1.2 billion in 1997, making it Canada's second largest export market in Latin America, after Brazil. For EDC, this meant a $910 million volume of business in 1997.

"From one-of-a-kind deals, EDC is moving with its customers to a flow of transactions. This stems from our broad range of relationships with all the major financial institutions and key corporate groups — involved in steel, power, transportation and other industrial sectors."

These relationships lend themselves to 14 lines of credit (LOCs) and about six medium-term financing protocols, each with two to four features to choose from — about 60 different combinations in all. This abundance of convenient and competitive prearranged financing creates incentives for the bank or corporate group to steer its Mexican customers, or its own organization, to "buy Canadian."

For Canadian exporters with a Mexican buyer in sight, and a notion of the type of financing its buyer expects, EDC can guide both parties to the most competitive financial solution. "If not, we'll create one, providing the buyer is creditworthy," adds Dupont.

In the oil and gas sector alone, Petroleos Méxicanos (Pemex), which is now establishing a US$50 million LOC with EDC, is expected to invest US$20 billion during the next few years in modernizing facilities, enhancing oil and gas production, building new pipelines and privatizing gas distribution.

"Mexico is a strategic market for future cooperation and development between Canadian and Mexican companies in the oil and gas sector. EDC's Oil & Gas Team works closely with Canadian and Mexican companies, as well as financial institutions in Mexico, in structuring tailor-made financial packages," says Eric Norgren, Team Leader.

Looking at Mexico's economy in general, the country recovered from the peso devaluation crisis in 1994-95, with GDP growth of five per cent in 1996 and seven per cent in 1997. "However, as an oil exporter, lower prices in recent months have caused deterioration in Mexico's fiscal and trade balances," notes EDC Economist James McCormack.

Mexico at a glance

Population: 96 million
GDP per capita: $2,639
GDP growth: 5.0 per cent
Inflation: 12.5 per cent
Canadian exports: $1.2 billion
Canada's market share: 1.0 per cent
Current account balance: $-14.5 billion

EDC's position:

Short-term — Good experience. Open without restrictions.
Medium/long-term — Good experience. Open, subject to an overall exposure guideline.
Political risk insurance — Case-by-case.

Canadian opportunities:

Energy (gas, electricity, oil); mining; environment; agriculture; manufacturing equipment; vehicles and parts.

Who to contact:

Canadian Embassy in Mexico
Carl Rockburne
Counsellor (Commercial)
Tel.: (011-525) 724-7900
Fax: (011-525) 724-7982

DFAIT
Peter Furesz
Deputy Director, Trade Relations
Mexico and Inter-American Division
Tel.: (613) 995-8742
Fax: (613) 996-6142

CIDA INC.
Henri Monette, Program Manager
Tel.: (819) 997-7906
Fax: (819) 953-5024

EDC
Contact the EDC regional office nearest you (see listing, inside back cover) or EDC's Regional Manager for Mexico, Luc Dupont, (613) 598-2860.

Beating a path to **Brazil**

While the largest and strongest arm of South America is expected to post growth of only one per cent in 1998, this growth was three per cent in 1997 as trade deficits improved and foreign exchange reserves exceeded US$70 billion. By the fall of 1998, however, Brazil's economy was impacted by some of the financial turmoil which had earlier swept East Asia and Russia.

With 160 million people, Brazil has almost twice the population of Mexico (96 million) or the combined population of Colombia, Argentina, Peru, Venezuela, Chile and Ecuador.

Canadian sales to Brazil grew nearly 12 per cent between 1996 and 1997, attaining nearly $1.5 billion. EDC business volume linked to these exports exceeded $545 million in 1997, a figure that had practically doubled ($952 million) by the end of August 1998. This reflects the recent position of Brazil as Canada's largest export market in Latin America.

In information and telecommunications equipment, Brazil placed fourth among the top Canadian export markets in 1997 (after the U.S., U.K. and China). "As just one example of major projects in this sector, EDC was the sole lender (US$21.5 million) to Telemig, a cellular network expansion supplied by Nortel," says Rob Forbes, EDC's Team Leader, Telecom Team. The recent privatization of Brazil's telecommunications monopoly, Telebras, is expected to lead to even greater opportunities for Canadian companies.

"Brazil has also seen other very positive developments in the private sector, for instance in mining and energy, making it one of EDC's most active markets," says Douglas Ward, EDC's Regional Manager for Brazil. "EDC is identifying and pursuing top-tier private corporations in Brazil for loan opportunities, to enhance our presence in Latin America and encourage greater use of Canadian content."

The next issue of Export Wise will examine some of the key trade issues and EDC's support to Canadians in several other Latin American countries.

Brazil at a glance

Population: 160 million
GDP per capita: $4,523
GDP growth: 1.5 per cent
Inflation: 3.4 per cent
Canadian exports: $1.5 billion
Canada's market share: 1.8 per cent
Current account balance: $-32 billion

EDC's position:

Short-term — Generally good experience. Larger banks recommended for ILC business.
Medium/long-term — Open for both private and public sector, with a preference for creditworthy parastatals.
Political risk insurance — Case-by-case.

Canadian opportunities:

Telecommunications, manufacturing, energy, pulp & paper, automotive.

Who to contact:

Canadian Consulat General
São Paulo, Brazil
Claude Fontaine
Senior Tade Commissioner
Tel.: (011-55-11) 253-4944
Fax: (011-55-11) 3171-0058

DFAIT
John Gartke
Trade Commissioner
Tel.: (613) 996-5548
Fax: (613) 943-8808

CIDA INC.
Simon Bussières
Program Manager
Tel.: (819) 997-0542
Fax: (819) 953-5024

EDC
Contact the EDC regional office nearest you (see listing, inside back cover) or EDC's Regional Manager for Brazil, Douglas Ward, (613) 598-2847.

Latin America
Fending off financial crisis

by James McCormack

Although several large Latin American economies have been caught up in emerging market turmoil over the past year or so, many opportunities for Canadian exporters and investors in the region still exist. Turbulence associated with the Asian and Russian crises reminds us, however, to monitor and mitigate the risks of doing business in all emerging markets.

In late 1997, the Asian crisis caused the first round of financial market uncertainty in Latin America, with three distinct effects. First, lower commodity prices and less Asian demand for goods reduced export earnings in countries like Chile and Peru. Second, the overall decline in capital flows to emerging markets raised the cost of borrowing across the region. And, third, some Latin American exports have been displaced in third markets by less expensive Asian exports.

The crisis in Russia caused a second round of uncertainty. In the ongoing "flight to quality," Latin American equity markets, bond prices and currencies experienced substantial declines:

- Equity markets in all the region's major economies moved sharply lower in 1998, although local equity markets are quite small, with low market capitalizations relative to the size of the economies. Such markets are inherently prone to volatility.
- Spreads between Latin American bond yields and comparable U.S. treasuries widened across the yield curve.
- Finally, speculation surrounding devaluations put pressure on many Latin American currencies. In the mid-1990s, a number of countries in the region used over-valued exchange rates to keep import prices down and contain inflation. The strategy worked, bringing inflation down across Latin America, but it left countries exposed to financial market pressures in times like these.

Economic strategies

Over-valued exchange rates represent only one of the economic strategies employed by many Latin American governments since the mid-1990s. Structural reforms, such as privatization, trade liberalization and the diminishing role of the state in the economy, have broadly changed the economic landscape. International trade and investment have taken on much more important roles in modernizing Latin American markets and integrating regional economies, both with each other and with countries outside the region.

Within Latin America, several initiatives are under way to further increase trade and investment linkages. MERCOSUR, whose members include Argentina, Brazil, Paraguay and Uruguay, and the Andean Pact (Bolivia, Colombia, Ecuador, Peru and Venezuela) are two of the most important regional trade agreements. The evolutionary nature of these agreements is reflected in their expansion, with MERCOSUR adopting associate members and the Andean Pact exploring formal links with MERCOSUR.

Canadian companies can take advantage of preferred access to Mexico under the NAFTA and free trade with Chile, which took effect in late 1996.

Stronger trade and investment ties between Latin America and the rest of the world have opened the region's economies to more competition, generally improved the allocation of the region's capital and enhanced medium-term growth prospects. But they have also exposed Latin America to increased international economic volatility. EDC can be an important partner for Canadian business, helping offset some of the risks associated with taking advantage of export and investment opportunities in a volatile environment.

James McCormack is an EDC Economist specializing in country risk assessment.

Lines of credit & export financing

EDC has many types of export financing facilities to simplify the purchase of Canadian goods and services by buyers in export markets.

These facilities fall into two broad categories: supplier credit financing and buyer credit financing.

One example of supplier credit financing is a note purchase agreement. Under such an agreement, EDC purchases from an exporter a series of promissory notes issued by a foreign buyer to the exporter upon the sale of goods or services.

Buyer credit financing includes direct loans and lines of credit. Direct loans are a financing arrangement between EDC and a buyer, or a borrower on behalf of a buyer, for a predetermined transaction. Loans usually involve large transactions with long repayment terms.

Lines of credit are a streamlined form of financing in which EDC lends money to a foreign bank, institution or purchaser, which then onlends the necessary funds to foreign purchasers of Canadian goods and services. Interest rates, repayment terms and other details are prearranged between EDC and the foreign borrower, which speeds up turnaround time. Transactions supported under lines of credit are usually valued at between US$50,000 and US$5 million. EDC currently has 47 lines of credit, providing one form of access to export financing for buyers in some 25 countries.

Listed below are the details and contacts for the lines of credit which exporters have found most useful.

It is important to note that:

- **EDC's financing and insurance services extend beyond countries in which EDC has established lines of credit.**
- **These lines of credit are one of several ways in which EDC will do business in these markets.**
- **If you are thinking about exporting but have never used one of EDC's lines of credit, it is wise to contact EDC as early as possible.**

For more information on how EDC export financing can help you close a deal abroad, contact the regional office nearest you.
(Refer to the contact list on the inside back cover.)

Categories

Overseas Area Code = 011

1 - Borrower
2 - Signing amount
3 - Repayment terms
4 - Buyers' contact with borrower
5 - Borrowers' contact in North America

Lines of Credit

Mexico, Central & South America

Andean Pact – Bolivia, Colombia, Ecuador, Peru and Venezuela

1) **Corporación Andina de Fomento (CAF)**
2) US$70 million
3) 10 years
4) Mr. Fernando Infante
Capital Markets Group
Tel.: 582-209-2283
Fax: 582-209-2329

Dr. Hernán Escudero M. (Bolivia)
Tel.: 591-243-1333
Fax: 591-243-2049

Ms. Liliana Canale (Colombia)
Tel.: 571-313-2311
Fax: 571-313-2787

Mr. Alfredo Solarte (Ecuador)
Tel.: 593-222-4080
Fax: 593-222-2107

Mr. Ernesto Aranibar Q. (Peru)
Tel.: 511-221-3566
Fax: 511-222-0968

Mr. Ricardo Ehrsam
Public Sector (Venezuela)
Econ. Blanca Olivo, Private Sector
Tel.: 582-209-2486/2379
Fax: 582-209-2433

Argentina

1) **Banco Francés**
2) US$10 million
3) 2, 3, 5 or 7 years
4) Mr. Fernando Sola
Regional Manager
North America and Asia Pacific
Tel.: 541-346-4326/4000 (ext. 1893)
Fax: 541-346-4337

1) **Industrias Metalúrgicas Pescarmona S.A.I.C. y F. (IMPSA)**
2) US$15 million
3) 3 semi-annual installments
4/5) Mr. Claudio Troglia
Director of Purchasing (Pittsburgh)
Tel.: 412-344-7003 (ext. 21)
Fax: 412-344-7009

1) **Pan American Energy (Argentina Branch)**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Pablo M. Ferrari
Financing Department
Tel.: 541-310-4332
Fax: 541-310-4367

1) **Telecom Argentina Stet-France Telecom S.A.**
2) US$45.2 million
3) 3 to 8.5 years
4) Mr. Tomás Silveyra, Manager
Financial Operations
Ms. Carolina Campos
Financial Operations
Tel.: 541-968-3500/3532
Fax: 541-312-9472

1) **Telefónica de Argentina S.A.**
2) US$50 million
3) 3 to 8.5 years
4) Mr. Juán López Basilvaso
Director of Finance
Ms. Antonieta Martino
Finance
Tel.: 541-325-0085/0048/0190
Fax: 541-325-1920

1) **Total Austral S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Alain Petitjean
Financial Controller
Tel.: 541-346-6400
Fax: 541-346-6697

1) **YPF, S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Enrique Waterhouse/
Ms. Dora E. Acosta Vásquez
Tel.: 541-329-5685
Fax: 541-329-5838

Argentina, Brazil, Colombia and Uruguay

1) **BankBoston**
2) US$25 million
3) 2 to 8 years
4) Mr. Julio Laffaye
Trade Finance Manager
International Services (Argentina)
Tel.: 541-346-2112
Fax: 541-346-3209/343-7303

Mr. Carlos Martins (Sao Paulo)
Tel.: 5-511-249-5622
Fax: 5-511-249-6430

Mr. Damián Donnelly (Bogotá)
Tel.: 571-313-3481
Fax: 571-313-3536

Mr. José Baniela (Montevideo)
Tel.: 598-296-0127
Fax: 598-296-2209

5) Mr. Hugo Owen
Vice President (Boston)
Tel.: 617-434-3107
Fax: 617-434-1188

Brazil

1) **Banco do Brasil**
2) US$25 million
3) up to 5 years
4) Mrs. Rosana Porto Feirosa
Tel.: 55-11-3066-9021
Fax: 55-11-3066-9029

1) **Petrobrás**
2) US$15 million
3) up to 5 years
4) Mr. Carlos Alberto Massena Barbosa
Tel.: 5-521-534-1454/1457
Fax: 5-521-534-4278

1) **Unibanco – Uniâo de Bancos Brasileiros**
2) US$15 million
3) 2, 3, 4 or 5 years
4) Ms. Silvia Nucci
Manager International Relations/
Ms. Patricia Urbano
Manager, Corresponding Banking
Tel.: 5-511-867-1684/4321/1900
Fax: 5-511-815-4484/814-0528/867-1689
5) Mr. Durval Araujo (New York)
Tel.: 212-207-9426
Fax: 212-754-4872

Mr. Marcos Pereira (Miami)
Tel.: 305-372-0100
Fax: 305-350-5622

Colombia

1) **Banco Cafetero**
2) US$10 million
3) up to 8.5 years
4) Mr. Luis Hernando Manrique
Head Special Lines Department
Tel.: 571-341-1511 (ext. 3700)
Fax: 571-284-2097

1) **Cementos del Caribe**
2) US$5 million
3) up to 5 years
4) Mr. Ernesto Ritzel
Head Special Lines Department
Tel.: 575-355-9014
Fax: 575-355-9829

Honduras, Costa Rica, El Salvador, Guatemala and Nicaragua

1) **Central American Bank for Economic Integration (CABEI)***
2) US$20 million
3) 5 years
4) Mr. Jorge Kawas
(Tegucigalpa, Honduras, Headquarters)
Tel.: 504-228-2208
Fax: 504-228-2135

Lic. Ronald Martínez Saborío (Costa Rica)
Tel.: 506-253-9394
Fax: 506-253-2161

Ing. Francisco José Ramírez Cuadra
(El Salvador)
Tel.: 503-260-2244/2245
Fax: 503-260-3276

Lic. Jorge Mario Diaz Rosal (Guatemala)
Tel.: 502-331-6821
Fax: 502-331-1457

Ing. Roger Arteaga Cano (Nicaragua)
Tel.: 505-266-4120 to 4123
Fax: 505-266-4143/4125

* CABEI is closed to new projects in the public sector/Government of Nicaragua.

Mexico

1) **Banca Serfin, S.A.**
2) US$20 million
3) 5 years
4) Mr. José Carrassó Arnaiz
Vice-President, International Division
Tel.: 525-512-1009
Fax: 525-625-5613
5) Mrs. Paloma Healey
Tel.: 416-360-8900
Fax: 416-360-1760

1) **Bancomer, S.A.**
2) US$75 million
3) 5 to 8 years
4) Ms. Cecilia Sáenz y Sáenz
Vice-President, Import Financing
Tel.: 525-621-3861/3491
Fax: 525-621-4758

1) **Banco Nacional de Comercio Exterior, S.N.C. (Bancomext)**
2) US$125 million
3) 5 to 10 years
4) Ms. Rosa María Solís, Vice-President
International Banking, North America
Tel.: 525-481-6051
Fax: 525-481-6077
5) Mr. Marco Espinosa
Trade Commissioner of Mexico (Toronto)
Tel.: 416-867-9292
Fax: 416-867-1847

1) **Banco Nacional de México, S.A. (Banamex)**
2) US$125 million
3) 5 to 10 years
4) Ms. Carmen Trujillo, Comercio Exterior
Tel.: 525-720-7065
Fax: 525-720-7315

1) **Banco Nacional de Obras y Servicios Públicos, S.N.C. (Banobras)**
2) US$20 million
3) 5 to 8 years
4) Lic. Abelardo Bravo Herrera, Gerente
Operaciones Bancarias Internacionales
Tel.: 525-723-6000
Fax: 525-723-6235

1) **Comisión Federal de Electricidad (CFE)**
2) US$30 million
3) 5 to 8 years
4) Mr. Ranulfo Matus López
Credit Operations Department
Tel.: 525-286-6859
Fax: 525-286-1456

1) **Hylsa, S.A. de C.V.**
2) US$20 million
3) 5 years
4) Mr. Manuel Moguel, Treasury
Tel.: 528-328-1220
Fax: 528-328-1885

1) **Nacional Financiera, S.N.C. (Nafin)**
2) US$28 million
3) 5 to 8 years
4) Mr. Jorge Muñoz Cuevas
Manager Bilateral Financing
Tel.: 525-325-7022/7023
Fax: 525-325-6496

1) **Petroleos Mexicanos (Pemex)**
2) US$50 million (under negotiation)
3) 5 to 10 years
4) Lic. Guillermo Christy Vera
Associate Managing Director of Finance
Tel.: 525-250-6478
Fax: 525-254-1896

1) **Teléfonos de México, S.A. de C.V. (Telmex)**
2) US$35 million
3) 3 to 7 years
4) Mr. Gustavo León Méndez, Treasury
Tel.: 525-222-1153/1154
Fax: 525-203-5972

Peru

1) **Banco Wiese Ltdo.**
2) US$15 million
3) 2 to 5 years
4) Mr. Eduardo Lizarzaburu Cuba
Financing Intermediation Division
Tel.: 511-428-6000
Fax: 511-426-9414
5) Mr. Javier Román
Tel.: 511-426-6231
Fax: 511-428-3163

Trinidad & Tobago

1) **Central Bank of Trinidad & Tobago**
2) US$15 million
3) up to 8.5 years
4) Ms. Cara Mae Farmer
   Manager, Banking Operations
   Tel.: 868-625-4835/623-4715
   Fax: 868-625-2468

Venezuela

1) **BARIVEN, S.A./Petróleos de Venezuela, S.A. (PDVSA)**
2) US$50 million
3) 2 to 8.5 years
4) Mr. Jesus Bello
   Finance Manager
   BARIVEN, S.A. (Caracas)
   Tel.: 582-201-4761
   Fax: 582-201-4605
5) Mr. Philip Lemon
   Trade Financial Analyst
   PDVSA Services, Inc. (Houston, Texas)
   Tel.: 281-588-6400
   Fax: 281-588-6287

Africa & Middle East

Algeria

1) **Banque Algérienne de Développement (BAD)**
2) US$100 million
3) 3 or 5 years
4) Mr. Sadek Alilat, Director
   Tel.: 213-2-677-583/4/5
   Fax: 213-2-674-241

1) **Sonatrach**
2) US$70 million
3) 3 or 5 years
4) Mr. Mohamed Kerkebane, Director
   Tel.: 213-2-746-272/746-209
   Fax: 213-2-746-256

Ghana

1) **Ministry of Finance and Economic Planning**
2) US$20 million
3) up to 10 years
4) Mr. Emmanuel Darko, Director
   International Economic Relations Division
   Tel.: 233-21-665-920
   Fax: 233-21-667-069
5) High Commission of Ghana to Canada in Ottawa
   Tel.: 613-236-0871
   Fax: 613-236-0874

Israel

1) **Bank Hapoalim B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Yona Rosenberg
   Foreign Trade Department
   Tel.: 972-3-567-3424
   Fax: 972-3-567-4548

1) **Bank Leumi Le-Israel B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Liorah Tidhar, First Vice-President
   Trade & Project Finance
   Tel.: 972-3-514-7373
   Fax: 972-3-514-7865

1) **United Mizrahi Bank Limited**
2) US$10 million
3) 3, 5 or 7 years
4) Mr. Chana Chefer
   Foreign Trade Department
   Tel.: 972-3-567-9011
   Fax: 972-3-567-9028

Lebanon

1) **Credit Libanais SAL**
2) US$10 million
3) 3 to 8.5 years
4) Mr. George Khouri
   Tel.: 961-158-2390
   Fax: 961-160-2615

South Africa

1) **First National Bank of Southern Africa Limited**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Steve Smith,
   Manager, Export Credits
   Tel.: 011-371-6665
   Fax: 011-371-7255

1) **Impofin (Pty) Limited**
2) US$15 million
3) up to 8.5 years
4) Mr. Leon Potgieter, Deputy General Manager, Industrial Development Corporation of South Africa Ltd.
   Tel.: 011-269-3266
   Fax: 011-269-3121

1) **Nedcor Bank Ltd.**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Yianni Puoruvllis, Manager
   International Finance Unit
   Tel.: 011-630-7851
   Fax: 011-630-7146

1) **The Standard Bank of South Africa Limited**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Gerald Nolan
   Senior Manager, International Finance
   Tel.: 011-636-5062
   Fax: 011-636-3181

Tunisia

1) **Ministry of International Cooperation and Foreign Investment**
2) US equivalent of Cdn$100 million
3) up to 10 years
4) Mr. Abdelhamid Bouhawala
   Tel.: 216-1-798-522
   Fax: 216-1-799-069

Europe

Turkey

1) **Turk Eximbank**
   Export Credit Bank of Turkey
2) US$50 million
3) 3 to 7 years
4) Mr. Ertan Tanriyakul, Finance Manager
   Tel.: 312-417-1300
   Fax: 312-425-2947

Ukraine

1) **State Export Import Bank of Ukraine**
2) Cdn$20 million
3) 3 to 10 years
4) Ms. Tetyana M. Kutuzova
   Head of Department
   Tel.: 380-44-247-8925/26
   Fax: 380-44-247-8928/8082
   Telex: 131258 RICA

Asia & Pacific

China, People's Republic of

1) **Bank of China**
2) US$200 million or its equivalent in Cdn. or other acceptable foreign currencies
3) up to 10 years
4) Ms. Zheng Lin, Project Manager
   Credit Business Department
   Tel.: 86-10-6834-7518
   Fax: 86-10-6834-2111

1) **Bank of Communications**
2) US$25 million
3) up to 10 years
4) Ms. Liu Ganghua, General Manager
   Credit Department
   Tel.: 86-21-6275-1234 ext. 1941
   Fax: 86-21-6275-6224

1) **China Construction Bank**
   (previously People's Construction Bank of China)
2) US$100 million
3) up to 10 years
4) Mr. Yu Hui, Manager
   International Department
   Tel.: 86-10-6759-8555
   Fax: 86-10-6759-8549

Indonesia

1) **P.T. Indah Kiat Pulp & Paper Corp.**
2) US$25 million
3) 3 to 10 years
4) Mr. Ronny Kurniawan, General Manager
   Export Credit Finance
   Tel.: 62-21-392-9266
   Fax: 62-21-392-8875

1) **P.T. Pabrik Kertas Tjiwi Kimia**
2) US$10 million
3) 3 to 10 years
4) Mr. Ronny Kurniawan, General Manager
   Export Credit Finance
   Tel.: 62-21-392-9266
   Fax: 62-21-392-8875

Contacts

EDC SEE

Head Office
151 O'Connor
Ottawa, Canada
K1A 1K3

Tel.: (613) 598-2500
Telex: 053-4136
Fax: (613) 237-2690
Internet: http://www.edc.ca

Smaller exporters — companies with annual export sales of up to $1 million — can contact our team of specialists at

1-800-850-9626

If your export sales exceed $1 million annually, call any one of EDC's regional offices at

1-888-332-3777

Western Region

Glen Hammond
Regional Vice-President

Vancouver Office
Suite 1030
505 Burrard Street
Vancouver, British Columbia
V7X 1M5
Tel.: (604) 666-6234
Fax: (604) 666-7550

Ray Johnson
Business Development Manager

Calgary Office
Home Oil Tower
Suite 606
324-8th Avenue S.W.
Calgary, Alberta
T2P 2Z2
Tel.: (403) 292-6898
Fax: (403) 292-6902

Bruce Stanton
Business Development Manager

Winnipeg Office
Commodity Exchange Tower
Suite 2075
360 Main Street
Winnipeg, Manitoba
R3C 3Z3
Tel.: (204) 983-5114
Fax: (204) 984-0163

Lewis Megaw
Business Development Manager

Edmonton Office
Suite 905
10010-106th Street
Edmonton, Alberta
T5J 3L8
Tel.: (403) 495-2286
Fax: (403) 495-2346

Karen Goss
Business Development Manager

Ontario Region

Ruth Fothergill
Regional Vice-President

Toronto Office
Suite 810
150 York Street
P.O. Box 810
Toronto, Ontario
M5H 3S5
Tel.: (416) 973-6211
Fax: (416) 862-1267

David Little
Business Development Manager

London Office
Suite 1512
148 Fullarton Street
London, Ontario
N6A 5P3
Tel.: (519) 645-5828
Fax: (519) 645-5580

Laura Gainer
Business Development Manager

Quebec & Atlantic Region

Montreal Office
Suite 4520
800 Victoria Square
P.O. Box 124
Tour de la Bourse
Montreal, Quebec
H4Z 1C3
Tel.: (514) 283-3013
Fax: (514) 878-9891

Harold Riley
Business Development Manager

Halifax Office
Purdy's Wharf Tower II
Suite 1410
1969 Upper Water Street
Halifax, Nova Scotia
B3J 3R7
Tel.: (902) 429-0426
Fax: (902) 423-0881

David Surrette
Business Development Manager

Moncton Office
International Trade Centre
1045 Main Street
4th Floor, Unit 103
Moncton, New Brunswick
E1C 1H1
Tel.: (506) 851-6066
Fax: (506) 851-6406

Charles Gaudet
Business Development Manager

Other organizations that help exporters

Team Canada Inc • Équipe Canada inc
Export Information Service
1-888-811-1119
www.dfait-maeci.gc.ca

BDC
Business Development Bank of Canada
1-888-463-6232
www.bdc.ca

Canadian Commercial Corporation
1-800-748-8191
www.ccc.ca

Alliance of Manufacturers and Exporters Canada
(613) 238-8888
(416) 798-8000
www.the-alliance.org

NorthStar Trade Finance
1-800-663-9288
www.northstar.ca

Published by Export Development Corporation

Export wise

Spring/April 1999

Plastics
Facing the world head-on

Global export forecast
A delicate recovery

"Genius" bicycle helmet furnished by EDC customer Louis Garneau Sports Inc. of Quebec, which manufactures and sells worldwide a full line of high-quality apparel and accessories for cycling and other sports.

Export Wise

Spring/April 1999

From the President
Record results; clearer vision
3

Let's Make a Deal
About coffee, water, petfood and electricity
4

Inside Track
Customers to EDC: "Keep up the good work"
5

Inter.net.working
Strategis; Canadiana
6

The domino effect of Y2K
A major business risk
7

Helping youth span the world
8

FITT: Developing experts in international trade
10

Industry Watch
Shaping a promising future with plastics
11

Customer profiles
Macro Engineering & Technology; Plastiques M&R
14

Focus on Smaller Exporters
Cracking that first million dollars in exports
16

On the Map
Global economic & export forecast
A delicate recovery
18

Latin America revisited
20

At a glance
Argentina; Chile
23

EDC Listings
Lines of credit
24

Contacts
27

Export News
(Insert)

Editor Toby Herscovitch

Desktop Design/Editorial Assistant
Deborah Chapman

Creative Direction & Production
Mantle & Overall Communications

Film & Printing
The Lowe-Martin Group

Contributors
Cressida Barnabe, Deborah Chapman, Maria Forde, Rod Giles, Dennis Goresky, Martine Hamel, Paul Hamelin, Julie Harrison, Julie Henter, Toby Herscovitch, Marvin Hough, Chantal Lalande, T.J. O'Connor, Jim Olts, Tom Sloan, Patricia Smith, Brenda Stewart and Judith Whitehead

Translation
Maguy Robert and Anne Tanguay

Advisory Board
June Domokos, Andrew Douglas, Todd Evans, Françoise Faverjon-Fortin, Ruth Fothergill, Walt Hutchings, Leslie Kenway, Keith Milloy, Maguy Robert, Kurt Rufelds, Mary Van Buren and Jayne Watson.

Export Wise is published four times a year by EDC's Corporate Communications Department.

EDC 151 O'Connor Street
Ottawa, Canada K1A 1K3
Tel.: (613) 598-2500
Fax: (613) 237-2690
Telex: 053-4136
Internet: http://www.edc.ca

CPC Agreement No.: 1456571

Export Development Corporation (EDC) is the only Canadian financial institution devoted exclusively to providing trade finance services in support of Canadian exporters and investors in up to 200 countries. Founded in 1944, EDC is a Crown corporation that operates as a commercial financial institution.

The editor welcomes signed letters of comment on articles that appear in **Export Wise** or on events and issues related to the Canadian export industry. Letters may be edited to meet the magazine's style and space requirements.

All dollar amounts indicated in the magazine are in Canadian dollars unless otherwise specified.

Executive Team

Peter Allen
Senior Vice-President
& Chief Financial Officer

Rolfe Cooke
Senior Vice-President
Short-Term Financial Services

A. Ian Gillespie
President & Chief Executive Officer

Katherine Payne
Vice-President
Human Resources & Administration

Gilles Ross
Senior Vice-President
Legal Services & Secretariat

Eric Siegel
Executive Vice-President
Medium- & Long-Term Financial Services

Be sure to visit EDC's Web site at http://www.edc.ca

Ce document existe également en version française sous le titre ***Exportateurs avertis.***

Record results; clearer vision

A. Ian Gillespie
President and
Chief Executive Officer

For EDC, 1998 was another year of milestones, all the more remarkable as they were achieved during a period of unprecedented turbulence in world markets. We supported a record 4,183 customers in 1998, an increase of 13 per cent over 1997, helping these customers generate close to $35 billion in sales and foreign investment in 155 countries. This represents a 21 per cent increase over the $28 billion in business supported the previous year.

We also met several other important performance objectives: in particular, we maintained our high level of overall customer satisfaction, achieving a score of nearly 80 per cent; and generated a net income of $135 million, enabling us to support future risk taking and growth of Canadian businesses.

While EDC operates as a commercial financial institution and has earned a profit in all but one of its 54 years, its public policy mandate sets it apart from mainstream financial firms and clearly focusses its mission on maximizing Canadian exports and foreign investment. Towards the end of 1998, we articulated this mandate in our vision for the corporation:

EDC will be the recognized leader in providing ground-breaking commercial financial solutions for companies of all sizes, helping them to succeed in the global marketplace and create enduring prosperity for Canada.

As I travel the globe, reaffirming EDC's commitment to critical emerging markets, EDC is being asked by customers and potential borrowers to find more innovative ways of supporting them in today's difficult trade and investment environment.

In 1999, we will build on our customer base by aggressively promoting our risk management skills and distinct ability to take on risk in close to 200 countries. At the same time, we will continue to search for innovative financial solutions for Canadian companies of all sizes to fit their individual needs.

Before the end of this year, we will increase EDC's representation abroad and expect to bring more business leads and tangible results back to Canadian exporters. We will also continue to partner with other financial firms around the world to increase financial capacity and share risks in Asia and other critical global markets, serving as a catalyst to competitive advantage for Canada.

With the largest pool of trade finance skills under one roof in Canada, our scope and level of talent distinguish us internationally. Our people also strive to adhere to the highest business ethics and standards of conduct, embodied last year in a set of formal policies and guidelines signed by all our employees and directors.

The success of our customers our corporation and our people are intimately linked and together we can build a dynamic future for Canada in the global economy.

Let's make a deal

An eclectic sampling of new clients, products and projects that EDC is supporting.

Coffee, tea & EDC

Second Cup Coffee Ltd. of Canada is expanding its presence in the Middle East, with the opening of two new trendy coffee bars in Israel. Its master franchisee, based in Montreal, will open a second store n Jerusalem and one in Tel Aviv, to complement an existing outlet in Jerusalem. EDC is providing US$850,000 in financing for this venture.

When the opportunity to expand presented itself, we needed to move quickly to close the deal,"says Peter Veres, owner of the Second Cup franchise in Israel. "With EDC support, we have been able to expand faster to take advantage of the growing opportunities in this market

Electrifying exports

A new US$50 million line of credit (LOC) from EDC to the Comision Federal de Electricidad (CFE), Mexico's electricity utility, has sparked the use of Canadian suppliers to upgrade CFE's facilities.

Some US$15 million is already being used to provide financing for contracts signed by CFE and ABB Canada, Pauwels Canada, Trench and GE Harris Energy Control Systems Canada, Inc. EDC supports more than 70 per cent of all Canadian exports to Mexico. Its LOCs give Canadian companies a competitive edge in foreign markets by enabling them to offer their buyers prearranged financing. EDC has many other credit facilities with key Mexican institutions.

Safer water for tourist hot-spot

Delcan International Corporation of Toronto is upgrading the potable water supply and wastewater treatment systems on Margarita Island, Venezuela, a popular tourist destination for Canadians. EDC is lending up to US$17 million and the CIBC, US$3 million, to support the sale of Canadian goods and services for this environmental project. The borrower is the Ministry of Finance, Republic of Venezuela, on behalf of the country's Ministry of the Environment and Renewable Resources.

Delcan is a leading international engineering, planning and project management firm. EDC is also lending US$20 million to support Delcan's sale of equipment and services for two other wastewater treatment plants in Venezuela.

Kitty 'n Rover eat well offshore

Cats and dogs in some 20 countries abroad now have a greater choice in their menu with imported pet food from Produits L.B. of Boucherville, Quebec.

Last year the company doubled its trade destinations, with exports comprising about 15 per cent of its total sales. Increasing exports recently led Produits L.B. to seek out EDC's credit insurance after one of EDC's regional business development managers made a presentation to the Quebec Agri-food Export Club last spring. "We chose EDC's services so that we could extend longer credit terms to our customers and make their lives a little easier," says Jacinthe Brasseur, Vice-President of Produits L.B.'s International Division.

The family-owned business mainly supplies dry dog and cat food for the discerning animal palate. The company has acquired a reputation for its spotless facilities and runs an experimental farm where some 60 cats and dogs act as "professional tasters."

Customers to EDC:
"Keep up the good work"

by Paul Hamelin

EDC customers gave the corporation a "thumbs up" for its efforts in 1998. Along with more of the same, they are looking for more flexible support from EDC in volatile foreign markets. Some 1,000 customers participated in the 1998 survey, helping EDC serve all its clientele better.

For the past five years, EDC has conducted annual surveys of its customers to gain insight into their satisfaction with EDC products and services. Conducted over the telephone, with each interview lasting an average of 10 minutes, the Customer Satisfaction Survey permits EDC to gauge how well it has performed over the preceding year and to make appropriate improvements in the new one.

A variety of customer service dimensions are evaluated, commencing with a customer's overall level of satisfaction with EDC and covering key service issues such as EDC's appetite for risk taking, timely turnaround on financial transactions, flexibility in the design of financial facilities, and resourcefulness of staff in finding appropriate solutions.

In fall 1998, EDC completed its most recent and extensive customer survey. In all, more than 1,000 customers answered EDC's questions regarding its service to their accounts. In 1998, EDC registered a high level of overall satisfaction, scoring 79.8 out of 100. A total of 83 per cent of customers said that they were satisfied or very satisfied with EDC's service during 1998. This rating maintains the level of satisfaction registered by EDC for the past few years.

Customer satisfaction with EDC's services was fairly consistent across both insurance and financing product lines, as well as by sectoral business teams and regions.

SME scores up

With more than 85 per cent of EDC's customers being small- and medium-sized enterprises (SMEs), their views are of particular interest to the corporation. In 1998, satisfaction scores for SMEs increased over those recorded for 1997. Across all critical attributes — including EDC's response to inquiries, its standardized products and service approach, its turnaround time on transactions, and its appetite for risk — EDC recorded higher average satisfaction scores with SMEs than in the previous year.

By probing customers for suggestions on how EDC can serve them better, the 1998 survey found a growing need to inform them more about EDC's capabilities. Customers also noted that EDC could be more flexible in the design of its financial solutions. In particular, Canadian exporters expressed a need for more flexible support in volatile foreign markets. These views reflect the 1998 economic environment which saw exceptional turmoil in key emerging markets.

We appreciate our customers sharing their valuable time and thoughtful ideas, and will build on their suggestions as we strive to help companies of all sizes succeed in the global marketplace.

Paul Hamelin coordinates the annual customer survey as a Project Manager in EDC's Marketing Group.

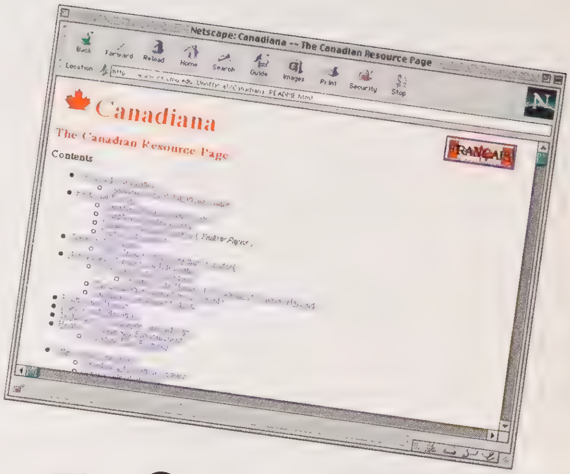
Other measures of customer service:

- Some 84 per cent of customers polled indicated that EDC provides timely responses to inquiries for information and decisions;
- Four out of five customers said that our staff's product knowledge and resourcefulness in finding solutions add value to the relationship; and
- About 80 per cent of customers said that EDC met or exceeded their expectations regarding financial products, services and turnaround time.

The Internet can bring the world of information to your desktop. But knowing where to find what you want can be a challenge. *Export Wise* regularly features Web sites that you may find useful. Here, we profile *Strategis* and *Canadiana*. Hot links to these and other sites helpful to your business and export needs can also be found on the EDC Web site (www.edc.ca).

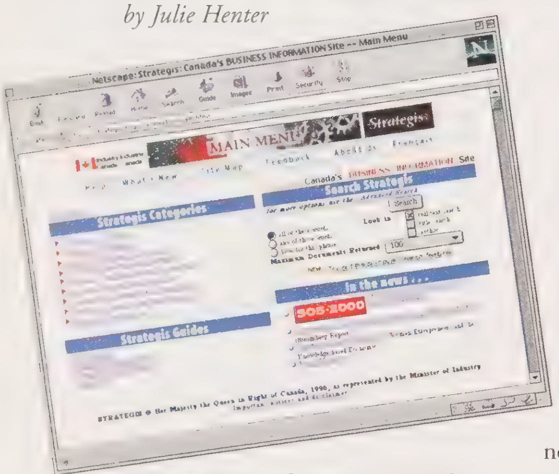
Strategis simplifies finding information in two ways:

1. Search engines in every part of the site allow the user to search for information using a key word or phrase; and
2. In the Main Menu, Strategis provides user guides accessible at a click of the mouse. These guides allow users to view Strategis from different perspectives, including small business, information and advanced technologies, and Canadian industry. The guides pull together the relevant documents into a mini Web site.



inter.net.working

by Julie Henter



The *Client Services Help Desk* provides answers to technical, functional, navigation or content questions about Strategis. You can also subscribe to Strategis *Headlines* to receive weekly notifications by e-mail of updates to all areas of the site.

Strategis, Industry Canada (www.strategis.ic.gc.ca)

Strategis is a comprehensive business and consumer Web site, offering well-organized information, tools and services. It provides access to company directories, industry statistics and analysis, business support and financing information, employment and learning resources, information on licences, regulations and legislation, and consumer information. Strategis also provides useful links to related Web sites.

Canadiana, the Canadian Resource Page (www.cs.cmu.edu/Unofficial/Canadiana/README.html)

Canadiana provides users with access to Web sites across Canada that offer diverse information, products and services. Canadiana's linkages to all sites are arranged under such headings as: News and Information; Facts and Figures; Government Services and Information; Science and Education; and Technology, Commerce and Industry.

Linkages under *Technology, Commerce and Industry* give you quick access to general and financial information, e-commerce and a multitude of useful Canadian directories. *News and Information* takes you directly to sites providing daily news headlines (Southam newspapers), hourly news updates (CBC Radio news text) and various Canadian-based publications on-line.

Looking for a particular government service or directory? *Government Services and Information* organizes linkages to various government Web sites serving business and the general public. Overall, the site's contents are well organized and a mouse click on each heading takes you directly into that section.

Julie Henter is a Project Manager in EDC's Marketing Group.

Export wise

HELP us keep our mailing list up-to-date.

nino effect of Y2K ajor business risk

artine Hamel

mation ation in the artnerGroup, at the Year of many fting from issues to assessing the Year 2000 readiness of their business partners. Here's why you may want to do the same.

Although everyone will have to wait until next year to know the real impact of the millennium bug, most companies are taking the issue very seriously. Year 2000 is not viewed strictly as a technical problem but as a business problem that could negatively impact your supply and payment chain, resulting in major business disruptions.

While the internal systems are within your control, the supply chain and payment risks are difficult to assess and frequently frustrating to control.

You may have heard about how a U.S. drug company destroyed millions of dollars of new inventory in 1998 because the inventory management system interpreted the expiry date of "00" on products as 98 years overdue. This year may turn out similar stories, perhaps about companies receiving too much inventory from suppliers whose systems indicate that their customers are out of certain products. Or, even more likely, companies will not receive much-needed material from a key supplier. This could halt production dependent on "just in time" deliveries. This domino effect of a supplier's Year 2000 problems could adversely impact your operations as well as your business reputation.

Studies show that one insolvency in six is caused by a major customer's bankruptcy.

There is also the possibility that electronic data interchange (EDI) systems may not work properly when dealing with customers and suppliers. Payments — to your suppliers, from your customers or to your bank — may not be made on time or may be incorrect, resulting in possible penalties. In addition, companies may have a difficult time reconciling outstanding balances. If, owing to a Year 2000 problem, your customer did not get paid or cannot pay you, the domino effect arises again.

The old adage that "you are only as successful as your weakest link" holds true for both the supply and payment chain. Ironically, certain companies tend to verify only their suppliers' Year 2000 readiness and forget about their major customers.

Fortunately, many companies have started to take steps to reduce their Year 2000 external business risk. They are including in their plan the assessment of the Year 2000 readiness and contingency plans of customers, suppliers, banks, service providers and information partners. Questionnaires are used to assess a business partner's Year 2000 readiness and, in some cases, on-site Year 2000 readiness audits of key suppliers, customers and business partners may be required.

In today's business world, there is a great reliance on information systems and computer chips. Few companies will be immune to the millennium bug and its domino effect, so prepare yourself and investigate the Year 2000 supply and payment chain risks!

Tom Sloan and Martine Hamel are members of the Short-Term Financial Services Working Group assessing EDC's Year 2000 business risk.

Helping youth **span** the **world**

by Julie Harrison

While exports account for about 40 per cent of Canada's GDP, less than 10 per cent of Canadian companies are active exporters. With the health of our economy reliant on export growth, EDC is investing in Canada's future business leaders and encouraging them to go global.

Nish Patel, the eloquent and industrious 25-year-old Director of *First Venture*, says that his generation must "build a bridge from an era of economic over-reliance on 'Corporate Canada' to one of entrepreneurial independence and innovation. We encourage Canada's corporate, political and academic communities in helping us build this 'entrepreneurial bridge' that may be traversed by all Canadians into an era of greater economic and social prosperity."

As a recent sponsor of *First Venture*, the National Business Plan Competition for Young Entrepreneurs, EDC is investing in this "entrepreneurial bridge." In particular, EDC offers an award for the best export plan to highlight the importance of foreign trade in Canada's future prosperity.

This is just one of many events and programs in which EDC participates to promote international business skills and trade-related career opportunities among students and young entrepreneurs. Through EDC's Education and Youth Employment (EYE) Strategy, the corporation targets its support at Canadian post-secondary students, as well as new businesses and export-ready companies run by youth. By working with Canadian university and college business faculties and young entrepreneurs today, EDC encourages young people to take an active role in Canada's export growth tomorrow.

New evidence indicates that the entrepreneurial spirit is alive and soaring in Canada. Between 1989 and 1997, self-employment accounted for 80 per cent of the 6.5 per cent total employment increase during that period, according to a recent Statistics Canada report.

This is good news for foreign trade, since EDC research suggests that a new company has a higher likelihood of achieving export success than an already existing company. For this reason, Kurt Rufelds, Director of EDC's Emerging Exporters Team, stresses: "It is very important to get the message out, from day one, that exporting is a viable and profitable option for new companies."

To do so, EDC joins the business community in supporting the Young Entrepreneur Awards, the Francophonie Mondiale (targeted at small- and medium-sized enterprises), the Institute for Leadership Development, Small Business Week, the Young Entrepreneur Association and the Junior Achievement Company Program.

Education: key to export awareness

EDC has also been hitting campuses to get its message out to students. Consultations with Canadian students and university and college faculty members help develop a better

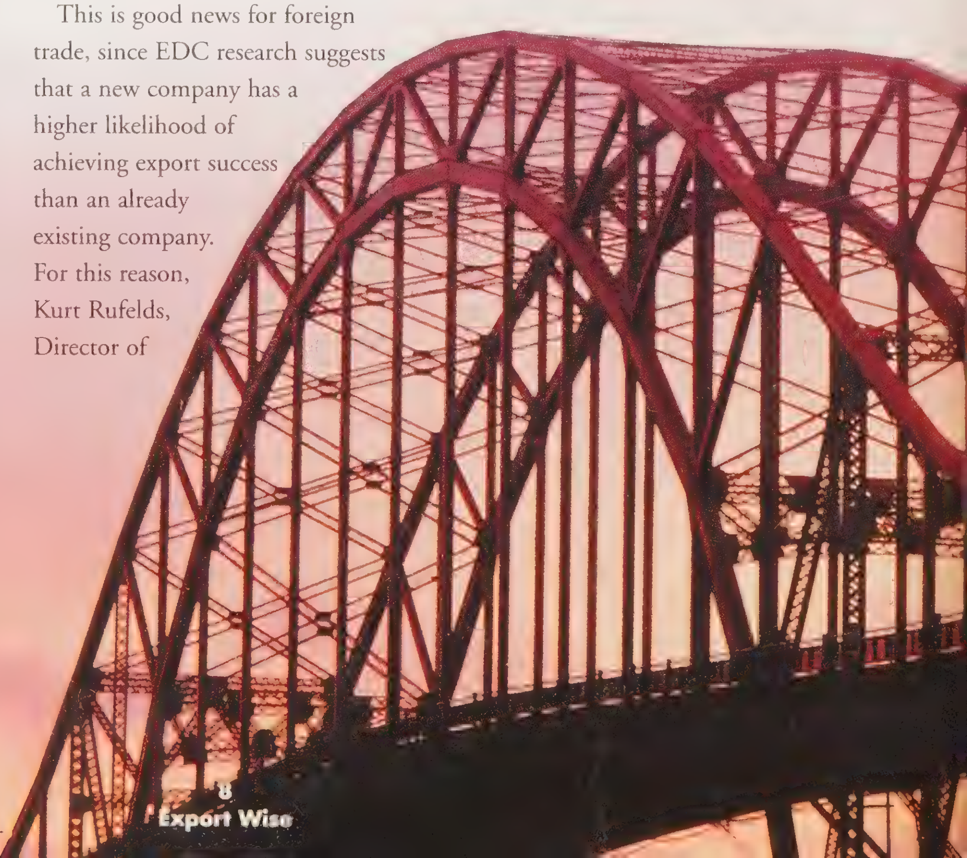


Photo: ©Albert Normandin/Masterfile

understanding of international business. Building relevant international business and trade finance information into the curriculum is an ongoing EDC effort, in addition to sponsoring appropriate research. For example, EDC funded a study by seven York University MBA students last academic year on international marketing activities of competing financial institutions.

Also important is the sharing of EDC expertise through regular seminars, facilitated by EDC staff, with such organizations as the Forum for International Trade Training (FITT).

Through the Oosterman Scholarship at Western University's Richard Ivey School of Business, EDC awarded a total of $15,000 in 1998 to two MBA students participating in the Richard Ivey Leader Project. (The project calls for volunteer teaching in Eastern Europe.) The scholarship is named in honour of EDC colleague Erwin Oosterman, a graduate of the Richard Ivey School who died in a traffic accident in 1996, not long after he was hired by EDC. The scholarship funds are adjusted annually and enhanced by EDC staff acting as mentors to the recipients.

EDC is now also among the top contributors to AIESEC, an international student-run organization that develops leadership, management skills and awareness of global issues among university students. A large thrust of AIESEC activity is the sponsorship of international student exchanges.

"For youth, practical work experience in international business is the best way we can understand and capitalize on the immense opportunities offered to us during a time when globalization can be very confusing," says AIESEC President Fodé Beaudet.

In addition to financial support, EDC is active with AIESEC through: executive attendance and speeches at AIESEC events; international student exchanges; sponsorship of AIESEC executive members at EDC's Let's Talk Risk Workshops; and the complimentary distribution of *Export Wise* to AIESEC members across Canada.

All these initiatives are intrinsic to EDC's corporate vision of helping Canadian companies succeed in international trade and create enduring economic prosperity for Canada.

Junior Team Canada

The Junior Team Canada program was developed by Global Vision, an organization dedicated to educating young Canadians about the global marketplace and providing them with the skills to succeed in international business. For the first time, EDC is a national sponsor of Junior Team Canada/Global Vision.

How the program works

Youth between the ages of 16 and 25 from across Canada are invited to participate in the Junior Team Canada Training Centre. After a two-day session they become eligible to apply for the Junior Team Canada Mission and are selected based on a market study of one of Canada's key growth sectors. The chosen participants then need to put their leadership skills to work by finding a corporate sponsor. Upon their return, the Junior Team Canada members donate 100 hours of community service.

The program has been in place since 1991 and has received nothing but accolades from participants: "I was only 17 when I went and it opened my eyes to international business, different cultures and the local business community too," says Becky Thompson, member of the 1996 Junior Team Canada Mission to Chile.

For more information, visit www.globalvision.ca

Developing experts in international trade

by Céline St-Louis

If you have at least three years of experience in international trade and would like credentials that officially recognize your level of professional competency, FITT has a designation that fits the bill. The multidisciplinary nature of the field makes this option available to many professions.

"The professional standards embodied by the C.I.T.P. designation are bringing increased recognition to the practice of international trade in Canada." *Mark Drake, FITT*

The Forum for International Trade Training (FITT) offers Canada's only professional designation for individuals experienced in international trade, the Certified International Trade Professional (C.I.T.P.).

The C.I.T.P. designation responds to calls from industry for a specific professional qualification in international trade, a need which has been fuelled by the globalization of Canadian business.

"International trade is extremely competitive," says Caroline Tompkins, General Manager of FITT. "There is a comfort level in hiring someone with a designation. It gives assurance that this person has had his or her qualifications and experience vetted and is committed to adhering to standards of ethical conduct."

The designation was launched in October 1997 at the Alliance of Manufacturers and Exporters Canada's (AMEC) annual convention. It was preceded by a survey of Canadian companies undertaken by KPMG to gauge industry's approval of the idea. Results indicated not only overwhelming support for the designation, but also that companies would give preference to C.I.T.P.s when hiring and promoting. Respondents felt that C.I.T.P.s would have more credibility and add more value to business.

FITT is a national, not-for-profit professional organization founded in 1992 by industry and government to develop and deliver international trade training programs and services, establish country-wide standards and certification, and ensure continuing professional development in the practice of international trade. It has established a reputation across Canada for its quality programs, especially its national training program in international trade — the FITTskills program. The latter covers topics such as international marketing, market research, international trade logistics, market entry, distribution and trade financing.

For individuals with at least three years of experience in international trade, the first step to becoming certified is to successfully complete the eight FITTskills courses. They are readily available through colleges, universities and private organizations across Canada and, now, through the Internet.

"Setting performance standards and then assessing proficiency has been a key function of FITT since its inception in 1992," says Mark Drake, Chair of the FITT Board of Directors and former Senior Vice-President of AMEC. "The professional standards embodied by the designation are now bringing a new level of accountability and increased recognition to the practice of international trade in Canada."

For more information about becoming certified in international trade, contact FITT at ***1-800-561-FITT (3488)*** *or* ***(613) 230-3553****, or visit its Web site at* ***www.fitt.ca***

Céline St-Louis is a member of FITT's Communications Department.

Shaping a promising future with PLASTICS

We drink from it, wear it, talk through it and buy with it. The versatility of plastic makes it a pervasive commodity that touches almost every aspect of our lives. Globally, the plastics industry is one of the fastest growing, and one that is getting increasing support from EDC.

The plastics industry has grown faster on average than any other manufacturing sector in Canada over the last quarter century, with only information technologies close on its heels, according to Pierre Dubois, President of the Canadian Plastics Industry Association (CPIA).

Canadian export volumes for plastic resins and products have grown from about $5.8 billion in 1995 to $7.2 billion in 1997. For the machinery used to make the products, volumes grew from $881 million to $943 million, according to StatsCan and EDC data.

The industry is divided into three major sectors, representing

> **"Many of the plastic machinery and molding firms which EDC serves are making inroads into new foreign markets."**
>
> *Marie-Claude Erian, EDC*

some 2,000 businesses in Canada, mostly small- and medium-sized enterprises (SMEs). The first group includes the raw materials or synthetic resins produced by the large petrochemical companies. Second are the makers of equipment, molds and dies used to create products or parts. Finally, there are the plastic products and parts themselves. These, like housewares and toys, are made directly for the consumer market or, like packaging, for other manufacturers who use plastics for their end products.

Three product lines predominate. Packaging, both rigid and flexible, accounts for more than a third of the sector, followed by construction products and automotive components. Technical-related products, including electrical connectors, syringes and housings for phones and computers, is also a growing category.

A cross section of EDC teams helps the plastics sector grab onto growing trade opportunities by supporting it in foreign markets and shaping financial solutions that hone its competitive edge. In particular, EDC's Base & Semi-Manufactured Goods (BSM) Team serves makers of plastic resins, packaging and other plastic products, while the Machinery & Equipment (M & E) Team supports the plastic machinery and mold makers (except those in the automotive industry which are supported by EDC's Automotive Team). The Consumer Goods Team is the EDC contact for makers of plastic consumer products.

All these teams are continually updating themselves on industry trends and developing innovative financial solutions to help their customers grow and access new markets. "In the M & E sector, we work closely with Industry Canada and the CPIA to help our exporting customers increase their ability to compete internationally," says Marie-Claude Erian, Relationship Manager for EDC's M & E Team.

Since 1996, EDC's M & E and BSM teams have supported more than $800 million worth of plastics business, and both industry and EDC numbers are growing.

From plastic wrap to bike helmets

North America is the largest consumer of plastic products, to the tune of about US$115 billion. In 1997, Canada sent some $4 billion worth of these products (excluding resins) outside the country, or about a third of its total production, mostly to the United States. By 2000, the goal is for plastic exports to reach $5 billion, or double the value of five years ago.

Plastic is strong, versatile and inexpensive compared to many other materials. This lends the substance to many innovative and not-yet-imagined uses. In the construction industry, for instance, one Canadian firm has developed the concept of housing that is completely made of plastic and is taking the idea worldwide.

"There are plenty of opportunities in the global marketplace for smaller companies like this one, which compete by developing a niche market," says Dubois.

"Many Canadian plastics companies have successfully beat out larger firms in the United States by supplying small runs of high-quality, low-volume products. Worldwide, there is a perceived advantage of doing business with Canadian companies because they offer high quality."

Jean Beaulieu, Team Leader for EDC's Consumer Goods Team agrees: "Canadian makers of plastic consumer products do well in export markets because they tend to offer innovative designs and concepts." EDC customers in this sector are marketing a diverse array of wares in the United States, Europe and Asia, including toys and housewares, bike helmets and water bottles.

Worldwide opportunities

"The trend to globalization and the elimination of tariffs (through free trade agreements) have certainly been a stimulus for the plastics industry," says Dubois.

For each industry segment, the trade focus may be slightly different. In general, makers of machinery and molds (including firms in the automotive sector) export some 75 per cent of their production to the United States. Typically, the challenge for them is expanding into emerging markets. For producers of plastic products, however, there is room for growth

in both the United States and beyond.

"While the prime market is the United States, South America also seems to be attractive to the Canadian plastics industry, particularly Chile, Brazil and Argentina," says Dubois. Other markets that have been pinpointed are Mexico, Germany and the United Kingdom.

"Many of the firms which the M & E Team serves are making inroads into new foreign markets. EDC has helped these customers increase their sales volumes by providing an array of financial services, giving them more flexibility to compete internationally," says Erian.

Another potentially viable market for the long term is East Asia, particularly China, adds Dubois. "While recent woes have slowed the enthusiasm, it could be a temporary situation that will adjust itself. The potential markets are certainly there."

When you consider that per capita plastics consumption in China is about eight kg per year, compared to 100 kg per year in Western countries, the potential for growth in Asia is evident.

Overcoming trade challenges

Some of the biggest trade challenges in all sectors of the plastics industry, especially for smaller exporters, include establishing a firm footing in an unfamiliar marketplace and overcoming fierce price competition. EDC alleviates these types of concerns by mitigating financial risks for Canadian exporters selling to the United States and more volatile emerging markets (through credit insurance), and by enabling vendors to offer competitive financing and extended credit terms to their foreign buyers.

In plastic resins and products, most of EDC's support is through short-term insurance, while in the machinery segment about 63 per cent is in financing, 24 per cent in short-term insurance and 13 per cent in medium-term products such as performance bonds and credit insurance.

"The plastics industry is an important sector at EDC," says Financial Services Manager Karen Brown, of EDC's BSM Team. "Our business with the industry is growing and we believe we can help even more exporters expand their business. It's great to see our customers moving into a lot of different markets."

Taking plastics on the road

The automotive industry is Canada's largest manufacturing and export sector, one in which the use of plastics has risen dramatically ever since the substance first came on the automotive scene in the 1950s. Today, this trend is increasingly manifesting itself in vehicle bumpers and panels, touting strength, safety and rust-free features.

"Steel is fighting back, notably with its new lightweight body in white, but when it comes to intricate shapes, plastic molded parts do have cost advantages," says Gerald Fedchun, President of the Automotive Parts Manufacturers' Association (APMA).

"With the increased use of plastic molded parts, their makers have become more prominent and, since Canadians in this field have a good reputation globally, they have more opportunities to export."

EDC has customized financing that provides progress payments for mold makers and other services, including support for banking facilities.

"EDC now supports many well-known makers of molding equipment for plastic vehicle parts, as well as makers of molded foam, as they move into export markets," says Walt Hutchings, Team Leader of EDC's Automotive Team. One such customer is Regal International Ltd., one of the industry's largest tooling and component development firms, for both plastic and metal parts. "As we grow our business in North America and enter emerging markets, EDC has the market knowledge and broad range of financial products to greatly assist us along the way," says Robert Claeys, Executive Vice-President of Regal.

Macro Engineering & Technology Inc.

Innovative processes for everyday plastics

Photo: courtesy of Macro Engineering & Technology.

by Patricia Smith

What do car windshields, baby bottle liners and meat packaging have in common? Just ask Macro Engineering & Technology which exports the latest equipment to make plastic film used in these products. With EDC's help, this innovative Ontario-based company has more than doubled its sales in the past five years.

Macro's big break in the international market occurred about eight years ago when Chinese buyers, attempting to vertically integrate their plants, wanted to stop purchasing PVDC (Saran plastic) film from resin producers and make their own. At the time, the resin producers agreed to supply the raw material and technical assistance. Macro saw this as an opportunity to develop and supply the complementary process equipment.

The customers put out a request for bids from plastic film equipment manufacturers. Three companies, including Macro, were selected to turn out one production line each and Macro's superior product won out. Sales took off and, within the first year, several more machines were ordered. The company also sells its equipment to the United States and parts of Europe.

However, the first deals with China were larger than Macro's typical orders and the bank was anxious about supporting the company. That's when EDC was called in to provide insurance coverage and financing. This move gave the bank the security to provide a Letter of Guarantee to the buyers and enabled Macro to continue accessing its working capital.

"Our association with EDC has been very beneficial. Without EDC, we wouldn't be where we are today," says Herbert Lam, Executive Vice-President of Macro Engineering & Technology.

Macro encourages R&D and continually invests in new product development; this has resulted in many breakthroughs in plastic processing technology, including:

- In 1994, Macro designed and manufactured the world's first commercial production line to produce PVB sheets for use in the automobile industry. This plastic film goes between windshield panes to prevent shattered glass from falling off in shards and injuring automobile passengers.
- More recently, Macro developed the world's first PVDC extrusion coating line to produce blister packaging film for the pharmaceutical industry as well as PVDC coextrusion blown film lines for use in the food packaging industry.

When Macro started doing business with EDC, it insured specific transactions against non-payment risks. Since then, the company's growing success has warranted the benefits of a Global Comprehensive Policy which covers all of Macro's international business. Some 80 per cent of Macro's sales are in exports.

"I see EDC as one of my partners because no two deals are alike," says Lam. "Without EDC, these deals would have been almost impossible. We are extremely happy with EDC." The Macro/EDC partnership is solid and Macro's prospects for continued success and future growth in international markets is well protected.

For more information, visit www.macroeng.com

Export news

A Supplement to **Export Wise**

EDC reaffirms commitment to Asia

by T.J. O'Connor and Marvin Hough

EDC President and CEO A. Ian Gillespie recently reaffirmed EDC's commitment to Asian markets during a two week visit to Hong Kong, Malaysia, China and Korea.

Gillespie met with key Asian business and political leaders to discuss market conditions and underscore EDC's continual support for Canadian firms active in the region.

"I am here today to tell you that EDC remains committed to Asia and that EDC believes it is essential to maintain a dialogue with others who are equally committed to the Asian market," Gillespie said in a keynote address to the Canadian Chamber of Commerce in Hong Kong. "We shouldn't overlook that strong relationships may become more meaningful risk mitigants than the underlying risk analysis itself in the current economic climate."

Gillespie's visit to Beijing supported EDC's already strong activity in the market where EDC has retained a representative since September 1997. During his stay in Beijing, Gillespie participated in the Annual General Meeting of the Canada China Business Council. He also signed an extension of a $US200 million credit facility with the Bank of China, EDC's longest standing borrower in China, with whom a relationship has been maintained since 1979.

A. Ian Gillespie and Wang Xuebing, Chairman and President of the Bank of China, recently got together in Beijing to sign an extension of the bank's US$200 million line of credit from EDC.

"The economic landscape of Asia is constantly changing," said Gillespie. "Foreign investment is beginning to flow back into the region and has the potential to benefit those companies with strong business fundamentals. As a result, Asian economies are being rebuilt one company at a time. Canadians need to maintain key relationships in the region and do their homework to be aware of not only the risks, but also the opportunities."

During the visit, Gillespie also met with Canadian companies who are maintaining their operations in Asia, to gain insight into the practical challenges that they face in the current environment.

continued on page 2

Top honours for annual reporting

EDC has won, for the third time in five years, the Auditor General Award for Excellence in Annual Reporting by Crown corporations. This award, presented in January, recognizes our 1997 Annual Report and 1997 to 2001 corporate plan summary as among the best in accountability reporting. EDC beat out four other finalists in the large corporation category. The reports were reviewed by a distinguished panel of public and private sector judges, in addition to the Auditor General.

Ensuring customer service in case of disaster

by T.J. O'Connor

Recognizing that a sustained interruption in EDC operations could have an impact on customers, EDC has instituted a Business Continuity Plan (BCP) to ensure virtually seamless service delivery in case of a disaster to its premises.

From the customers' perspective, the BCP will ensure that dealing with EDC will go relatively smoothly, even if EDC's head office were crippled by an event such as a major fire. The goal of the BCP is to achieve as close as possible to "business as usual."

An integral part of the plan is the off-site facility, established near Ottawa's McDonald-Cartier airport, where our business functions can be maintained should we lose the use of our head office. If a major disruption occurs, the BCP is instituted and EDC employees are notified so appropriate action will be taken. Critical phone calls and faxes are redirected to the off-site facility so that customers can reach an EDC employee able to answer their queries.

"EDC is becoming a much more sophisticated financial institution than ever before," says President and CEO A. Ian Gillespie. "In addition, we are becoming increasingly reliant on technology for our day-to-day operations. With this in mind, it is pretty clear that we need a plan with built-in redundancies to ensure the corporation can continue to provide seamless product and service delivery to customers."

According to BCP Project Leader Art Pelletier, the continuity planning is progressing well. Individual EDC teams are now testing recovery plans — processes that the teams will initiate to continue business in the event of a major disruption. The testing will ensure that the plans work for EDC, so that EDC can work for Canadian exporters.

Kudos for customer

K.Y. Ho, President of ATI Technologies Inc., was named Canada's Entrepreneur of the Year for 1998, last fall, after having taken Ontario's top entrepreneurial spot. Then, in January, Ho was selected among the world's top 25 "Executives of the Year" by Business Week magazine. Ho credits exports for the company's phenomenal growth and recognizes EDC's support in helping his company establish a strong foreign presence. ATI is a leader in graphics and other multimedia products for computers.

EDC reaffirms commitment to Asia

continued from page 1

Ongoing support to South Asia

EDC's International Markets Team continues to develop and maintain relationships with key buyers, borrowers, project sponsors and financial partners throughout Asia, including India, Bangladesh and Sri Lanka. Among other speaking engagements in the region, June Domokos, EDC's Vice-President for Asia, Africa and the Middle East, addressed the World Economic Forum in India last fall on conditions for attracting financing and insurance for foreign direct investment in India. EDC is also placing additional resources on monitoring Asian markets and buyers to more effectively respond to Canadian interests.

EDC recently signed three memoranda of understanding (MOUs) with financial institutions in India and Sri Lanka. These MOUs record mutual intentions to increase cooperation and coordination of relevant activities to encourage business between the signing parties' countries. Pictured, EDC's J. Domokos (centre) and A. Karim (right side) after the signing of a MOU with the Private Sector Infrastructure Development Company Ltd. of Sri Lanka, represented by (from left) L. Wickermarachchi, D. Liyanage and K. Jayatilake (far right). The other agreements were signed between EDC and Tata Finance Ltd., and EDC and SBI Capital Markets Ltd., both of India.

United Way pays tribute to EDC

EDC was recently recognized by the Government of Canada Workplace Charitable Campaign for "Highest donor participation for a corporation with 500 to 1,000 employees." The government's activities are part of the United Way/Healthpartners Campaign with all funds going to numerous local charities under the United Way umbrella. Some 509 EDC employees contributed last year — 76 more than in 1997 — for a participation rate of 71 per cent. EDC surpassed its $62,500 fund-raising goal by collecting a record $72,303.

First domestic note issue

by Rod Giles

EDC's Treasury Department broke new ground last month with the launch of a 10-year $500 million domestic note issue which was well received by the market and quickly oversubscribed by investors.

"We're extremely pleased with the market response to our first domestic transaction," noted EDC Treasurer Clare Marshall. "We're hoping that this is the first of many issues in the domestic marketplace. Canada should provide EDC with an excellent new funding source."

Proceeds of the 10-year note will be used to fund Canadian exports in U.S. currency. EDC's Treasury group manages the funding for all of the corporation's cash requirements, including loan disbursements.

In addition to being the first ever domestic issue, it is also the first offering of a 10-year term note from a Canadian Crown corporation.

Nesbitt Burns Inc. was appointed lead manager of a syndicate of Canadian dealers. The note price was 16 basis points above Canada government bonds.

Since EDC is "an agent of Her Majesty," EDC debt carries the full faith and credit of Canada and, from a credit perspective, is equivalent to Canada debt. EDC also carries a zero risk rating for regulatory capital applications.

EDC is rated AAA by Dominion Bond Rating Service and Standard & Poor's Corporation and Aa1 by Moody's, for Canadian dollar obligations.

Building business with East Europe

Canadian businesses signed 56 deals, including contracts, memoranda of understanding (MOU) and letters of intent, valued at $295 million, during the Business Development Mission to Ukraine and Poland from January 25 to 28. The mission was led by Prime Minister Jean Chrétien.

Referring to the Ukrainian portion of the trip, International Trade Minister Sergio Marchi said: "The number and value of the agreements signed send a strong message that Canada and Ukraine can do business. It is only through a determined path of political and economic reform, however, that Ukraine can realize its full potential as an economic partner with Canada and other nations."

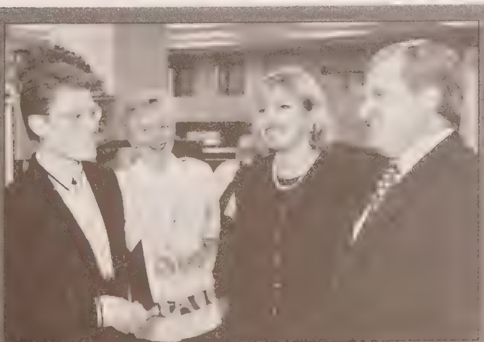
Several members of EDC participated in the mission, including Eric Siegel, Executive Vice-President, and Dennis Goresky of the International Markets Group. EDC and its customers signed MOUs and deals in the oil and gas, construction, infrastructure, agricultural and communications sectors.

Appointments

EDC is pleased to announce the appointment of **Jim Christie** as Regional Vice-President, Western Canada, effective April 1, 1999.

Mr. Christie has held positions of increasing responsibility in many areas of the corporation, including the Risk Management Office, Short Term Financial Services, Sales and Marketing. Mr. Christie was also the first Team Leader of our Technology and Business Solutions Team which developed EDC Direct, our on-line customer service application.

EDC is pleased to welcome back **Henri Souquières**, as Regional Vice-President, Quebec and Atlantic Canada. During more than 15 years with EDC, Mr. Souquières has held managerial positions in various areas of the corporation, most recently as Team Leader of the Transportation Group. He returns to EDC after having served at Hydro Quebec International as Vice-President, Finance and Administration.



Minister briefed on SME services

Minister for International Trade Sergio Marchi (right) recently attended a briefing and demonstration on EDC's streamlined services for small- and medium-sized enterprises (SMEs) and met with members of the SME Team. From left, Linda Graupner, Team Leader, SME Financial Services, JoAnna Townsend (Director, SME Export Division, Department of Foreign Affairs and International Trade) and Linda Conway, recently appointed Team Leader, Emerging Exporters.

Countdown to Pacific Basin meeting

The 32nd annual International General Meeting of the Pacific Basin Economic Council (PBEC) will draw more than 500 corporate executives and government officials from throughout the Pacific to address the business and economic climate of today and the future.

This year's theme is: "The Challenges of the Next Century for the Pacific Basin," and the meeting will be held from May 17-19, 1999 in Hong Kong. The Honourable Tung Chee Hwa, Chief Executive of the Hong Kong Special Administrative Region, will deliver the opening address.

The meeting will have five plenary sessions on topics including the government and economic development, information and imagination, environment and growth, beyond the Asian financial crisis, and emerging markets in the global economy. Each session will be followed by roundtable discussions. EDC President and CEO A. Ian Gillespie will join other senior corporate and government officials at this important conference.

The Canadian Committee of PBEC will be organizing a large business delegation to attend this meeting. For more information, please call Sue Hooper of PBEC at (604) 684-5986 or consult the Web site at www.pbec.org

Business ethics workshops

The Alliance of Manufacturers & Exporters Canada is sponsoring a series of half-day workshops, supported by EDC, on the ethical issues facing Canadian companies operating internationally and how to deal with these issues. The event will take place in key Canadian cities, as follows:

March 25	Corporate Centre, Ottawa
March 26	Centre Sheraton, Montreal
March 30	Sheraton Hotel, Halifax
March 31	Ramada 400/401, Toronto
April 13	Crowne Plaza Hotel, Winnipeg
April 14	Holiday Inn, Vancouver
April 16	Rimrock Hotel, Banff

For more information, please contact George Rogerson at tel. (613) 736-0432, fax (613) 736-9604 or e-mail rogerson@istar.ca

Watch for EDC at these upcoming events:

Event	Date	Location
Boston International Seafood Show	March 9 - 11	Boston, US
Americana 99	March 24 - 26	Montreal, QC
Cercle de la finance internationale	March 25	Montreal, QC
Ontario Global Traders Awards	March 25	Toronto, ON
Energy Mexico 99	April 12 - 13	Calgary, AB
Wisdom Exchange	May*	Toronto, ON
Lumber Industry Week	May 4 - 8	Quebec, QC
Pacific Basin Economic Council	May 17 - 19	Hong Kong, China
Can/U.S. Women's Trade Summit	May 17 - 21	Toronto, ON
American Public Transit Assoc.	May 22 - 28	Toronto, ON
Conférence de Montréal	May 30 - June 2	Montreal, QC
EBRD/IFI	June*	Banff, AB
Paris Airshow	June 13 - 20	Paris, France
Canadian Advanced Tech. Assoc.	June*	Calgary, AB
Credit Institute of Canada	June 16 - 19	Calgary, AB

** Exact date not available at press time*

"Let's Talk Risk" Workshops

This popular series examining economic, political and industry-specific financial risks around the globe is of practical interest to Canadian exporters. Here is the updated 1999 schedule:

Monday, April 12	Vancouver
Tuesday, April 13	Winnipeg
Wednesday, April 14	Calgary
Thursday, April 15	Edmonton
Friday, April 16	Saskatoon
Tuesday, April 20	London
Wednesday, April 21	Toronto
Thursday, April 29	Montreal
Friday, April 30	Quebec
Tuesday, May 4	Moncton
Thursday, May 6	Halifax

For more information, please contact EDC's Regional Office nearest you (see inside back cover) or Lyne Hébert at (613) 598-2774; e-mail: hebely@edc4.edc.ca

Correction to EDC 1999 calendar

In the *International Holidays* section at the front of the EDC calendar, under *Thailand*, the date for H.M. the King's birthday should read December 5. However, since this date falls on a Sunday this year, many businesses will be closed December 6.

Claims Paid

January 1, 1998 - December 31, 1998

Companies

529

Claims

1,357

Cdn $ Total

$72,487,710

Export Markets	Count
Africa & Middle East	18
Asia & Pacific	55
Europe	86
South America	32
U.S.A. & Caribbean	1,166
Risks	**Count**
Default	1,039
Insolvency	291
Call of Bond	10
Repudiation	16
Political and Transfer	0
Termination of Contract	1
Import Permits	0
Payments	**Count**
Under $5,000	691
Between $5,001 and $100,000	581
Between $100,001 and $1 million	72
Over $1 million	13

Plastiques M&R

Plastics firm stretches in all directions

by T.J. O'Connor

Maurice Panchyshyn saw an opportunity and jumped on it. His bold move led him to creating a plastics business like no other in Canada and with only a handful of competitors around the world.

In 1979, Panchyshyn's company, Plastiques M&R based in Laval, Quebec, was a successful maker of plastic containers which sold most of its products in Canada. The company sourced raw material called biaxially-oriented polystyrene (BOPS), a type of plastic stretched in two directions, and thermoformed it into different shapes and sizes of containers.

When Plastiques M&R's U.S.-based BOPS supplier shut down its production facility, Panchyshyn bought the manufacturing equipment. Now, Plastiques M&R is the sole Canadian source of BOPS and continues to produce containers out of this material, making it a unique vertically integrated operation.

However, soon after production of BOPS began, the company realized it had a problem — its capacity greatly exceeded Canadian demand. "We decided to export," says Panchyshyn. "There are very few BOPS suppliers in the world, so most of the countries that we export to have no domestic source of the material."

Currently, Plastiques M&R is shipping this material around the globe, to Argentina, Australia, France, Mexico, Poland, United States, Venezuela and more. In 1998, the company's export volume was $23 million. Approximately 85 per cent of this was from the sale of BOPS, with the remaining 15 per cent from finished containers.

"A lot of companies shy away from exporting because they think it has a mystique and is complicated," says Panchyshyn. "What we have found is that if you use the right resources and have the right team together, you can't go wrong."

The "right resources" includes using EDC to insure the company's export receivables and tapping into EDC's wealth of market and sector knowledge.

"When you are privately owned, you tend to be reticent to export. Initially, EDC's export receivables insurance gave us the courage and support to pursue export markets.

"Now that we've been exporting for 18 years, EDC has taken on a new dimension. It's a valuable source of information. When I need information on various countries, EDC is always available to help educate me. Also, when EDC says 'Look, this deal is too risky,' a situation which we had recently, we wholeheartedly agree."

Photo: courtesy of Plastiques M&R.

The company remains competitive by doing everything in its power to satisfy customers. The fact that it is also a thermoformer gives Plastiques M&R an edge over other BOPS producers — it knows the end product as well as its customers do, because it makes the containers too.

Right now, the company's biggest problem is one that many other firms would like to have — excess demand. "We are working 24 hours a day, seven days a week and we're sold out! To address this, we are making a $1.8 million investment to add eight million pounds of production capacity," says Panchyshyn. The world is waiting.

For more information, contact Ted Rice of Plastiques M&R at 450-622-8011.

Cracking that **first million dollars** in exports

by Cressida Barnabe

In 1998, EDC's Emerging Exporters (EE) Team helped 101 customers surpass their first million dollars in export sales. Here is how two companies achieved this milestone, with EDC support, and crossed over to a new world of opportunities.

Photo: courtesy of Race Face Components.

Riding the globe with Race Face Components

The people who ride Race Face – equipped mountain bikes are hard-core enthusiasts: they virtually ride to live, live to ride. Race Face Components, of New Westminster, British Columbia, builds the high-performance parts and clothing for the riders who live by this credo.

Race Face Components was founded by British Columbia's Rocky Mountain Bicycles in 1992 to meet the demand for high-quality Canadian-made parts for mountain bikes, not then available in the market.

Race Face began exporting to Germany, but as demand for its products grew in other markets, Race Face turned to EDC and the EE Team. "When we first started to deal with EDC, we were benefiting from an insurance policy already in place through Rocky Mountain Bicycles," explains Ying Chow of Race Face Components. "As our needs changed, we set up our own EDC policy and we've never looked back."

The company was initially served by EDC's EE Team, set up in 1995 to deliver streamlined, off-the-shelf receivables insurance to smaller exporters, that is, companies with annual export sales of up to $1 million.

"We have extensive customer surveys as well as market research to show that the needs of exporters begin to change once they climb over the $1 million mark in exports," says Paul Tomascik, Project Manager in EDC's Marketing Group. "Whether they're just entering the export arena or have been at it for a while, companies with exports under the $1 million mark all want the same thing: fast, simple, accessible and affordable service," explains Tomascik, "and that's what the EE Team delivers."

"Many of the companies served by our team are those with little or no exporting experience, so naturally the world of exporting can be overwhelming at the beginning," says EE Underwriting Manager Jen Empey. "Our role is to ease this transition by providing customers with the security they need to meet these challenges and build their businesses with confidence."

With EDC's export receivables insurance in place, Race Face was able to use its EDC policy to acquire a larger operating line of credit from its bank and meet the worldwide demand for its products.

"Our relationship with EDC has been excellent," says Chow. "The EE Team was always quick to respond to our concerns, which in turn meant minimal delays for our shipments."

In the two years as an Emerging Exporters' customer, Race Face saw its export sales ride smoothly above the million dollar mark. The EE Team had to say good-bye to Race Face. The company, and its evolving export needs, is now in good hands with EDC's Consumer Goods Team.

Litière Royal jumps new hurdle with old product

The picturesque town of St. Romuald, just outside Quebec City, is the home of Litière Royal Inc., a Canadian company that sells wood shavings for horses, used primarily at equestrian events. There is nothing new about wood shavings, but Litière Royal had the idea to develop a solid export strategy and build a bigger market for this product.

The company was established in 1996, and while it took time and careful planning for the company to become export ready, when it was, Litière Royal came to EDC.

"Our business volumes had increased dramatically, but we encountered tremendous difficulty securing guarantees," explains Yvan Fortin, President of Litière Royal. "Our business is primarily U.S.-based and, because of the high level of risk in that market, we were turned down (for support) by virtually all the banks. EDC was the only company in Canada that would help."

EDC enabled Fortin to work out deals anywhere, anytime. "Using my car phone, I had EDC on one line, the buyer on the other, and we went back and forth. Many kilometres and three hours later, we had a deal."

Fortin credits EDC with where the company is today. "EDC played a huge role in increasing our business. While EDC checked out our foreign buyers, it left me the time I needed to run the business, knowing our buyers were creditworthy and that the results would be there."

And the results have been impressive. What started as a three-person operation soon grew to a company employing a staff of 20. The company's ability to invest in new equipment has meant that it is able to export more products, more quickly.

After recently surpassing the million dollar mark in export sales, Litière Royal was transferred from EDC's Emerging Exporters to its Consumer Goods Team.

"Exporters continue to tell us that this is the right way to do things," says Tomascik. "As exporters become more seasoned, their transactions become larger and more complex, requiring a different kind of service from EDC. It's simply a matter of listening to your customers and doing what makes sense to meet their needs."

For EDC's Emerging Exporters Team, that means saying good-bye to successful customers.

Photo © Tony Stone Images

Global economic & export forecast
A delicate recovery

by Jim Olts

The economic flu that had Asia in the intensive care unit last year, and the rest of the world in the wards or the waiting room, is showing some signs of abating. Gradual, sporadic growth is the order of the day, with worrisome forces that can still derail this delicate recovery.

Canadian goods and service exports are expected to increase by four per cent in 1999, similar to last year's pace. However, when you compare this performance to export growth of nearly eight per cent in 1997, it is easy to see that Canadian exporters are still facing difficult global markets.

Last year, Canadian exports were badly damaged by the double-whammy of declining commodity prices and contraction in Japanese and other Asian markets. The Asian crisis appears to be bottoming out, offering some prospect of a recovery in the region. At best, this recovery will be characterized by sporadic and gradual growth.

In general, prices will stabilize in 1999, but continued excess capacity will ensure subdued export markets. With these deflationary pressures continuing this year, Canadian exporters looking for bigger profit margins will have to redouble their efforts to enhance productivity and control costs.

Throughout this year, Canadian exporters should experience reasonably good market performance in the United States and Western Europe. But there is still the possibility of a sharper than expected slowdown. Indeed, 1999 will continue to provide opportunities for exporters but they will be tightly wedged between significant risk elements that could derail the delicate growth forecast.

Exports account for 40 per cent of Canada's output and are a key factor driving economic growth, job creation and prosperity. One in every three Canadian jobs is tied to exports.

Canada's export prospects are greatest in the aerospace, telecommunications and consumer goods industries. For instance, machinery and equipment exports, especially in aircraft and telecom areas, are expected to grow by about seven per cent this year, compared to nearly 15 per cent last year. Consumer goods sales abroad should increase by 6.3 per cent, versus 11.6 per cent in 1998. The United States and Western Europe account for the strength in these sectors.

The combined impact of both lower Canadian interest rates and an undervalued dollar will help keep Canadian exports competitive. Nevertheless, trade opportunities are harder to come by and the credit risks, in many markets, are also higher. In today's integrated global economy, what at first appear to be totally unrelated events a world away have a habit of blind-siding exporters and investors.

World economic outlook

World economic growth is expected to come in at about two per cent in 1999, about the same level as last year. But a number of threats are looming worldwide that could derail this outlook.

First the good news:

- The U.S. economy is expected to experience a soft landing in 1999, moving back to a sustainable growth path.
- Western Europe will continue to expand in 1999, albeit at a slower pace than during 1998.
- East Asia continues to make headway in its reform efforts, holding forth the prospect that the slide has bottomed out.
- Japan appears to be coming to grips with its festering bank crisis and recent fiscal stimulus packages should help stabilize the economy in 1999. But meaningful economic reforms are also needed to fully realize the benefits of fiscal stimulus.
- In East Europe, the economic fundamentals are still fairly

strong. Most of this region has so far avoided any serious fallout from the Asian and Russian economic meltdowns.

Two major threats:

- The growing level of excess capacity in virtually every commodity area: this drives down prices, asset values and exchange rates of commodity producers. The problem is long-term overinvestment (i.e. both the build up of inventories and production capacity).
- The growing loss of confidence among international investors as they shift their portfolios from the world's financial markets to the U.S. bond market: this creates lower interest rates in the United States, but sharply higher interest rates in emerging markets. If world liquidity continues to dry up, emerging markets could become submerging markets.

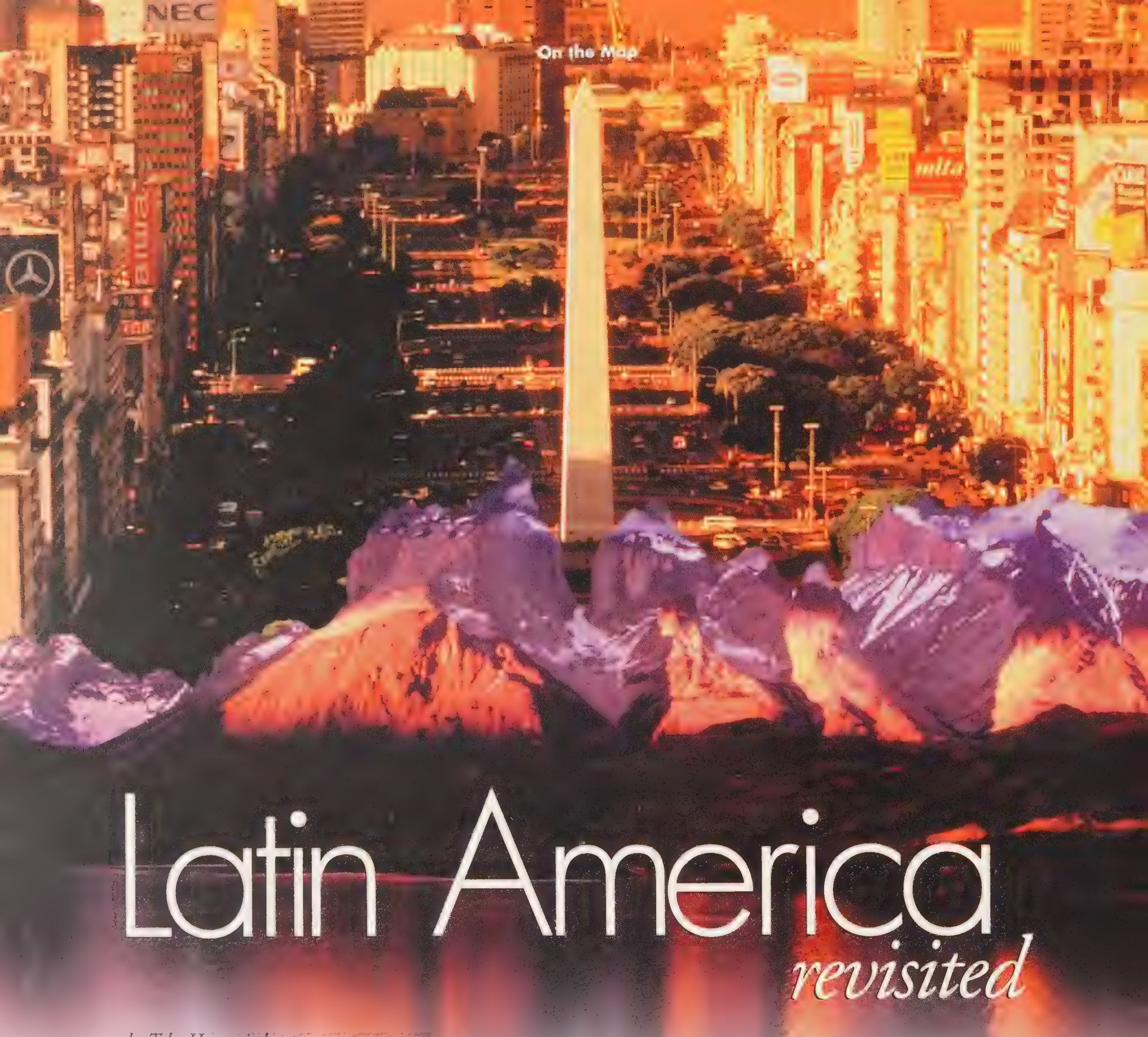
International market outlook

- U.S. economic growth is forecast to decelerate to around two per cent in 1999 from an estimated 3.9 per cent last year.
- In the European Union (EU), forecast growth has been downgraded from 2.8 per cent in 1998 to 2.2 per cent this year, in response to capital market turmoil and falling GDP in many emerging economies.
- The Japanese economy shrank by close to three per cent in 1998 and could contract another one per cent in 1999. Japan is in danger of becoming locked in a downward spiral as falling profits and company bankruptcies produce more layoffs, forcing consumers to spend less, which in turn creates additional corporate distress.
- Throughout much of Asia, falling GDP, high interest rates and large devaluations created financial distress for corporations which has placed additional strain on an already fragile banking sector. The Asian situation is not expected to show significant improvement for another two to three years, keeping Canadian export sales to the region under pressure.
- The pace of expansion in Latin America will slow in 1999, with Brazil already in a recession that will probably worsen before improving. Several other Latin American countries are also expected to experience varying degrees of recession in 1999. Although its economy is slowing, Mexico should escape this fate. Low commodity prices, higher interest rates, scarce capital and restrictive economic policies will all stifle Latin American growth in 1999. The downturn is not expected to continue much beyond this year.
- Eastern Europe has so far shaken off most ill effects of the Russian crisis, but its economy is likely to slow this year as is the case for Western Europe and as exports to Russia decline. Several East European countries are now negotiating for accession to the EU, which would provide more economic and political stability to the region.

Jim Olts is Chief Economist at EDC.

Export forecasts for key Canadian markets

- Exports to the United States are expected to grow by less than 4.5 per cent in 1999, down from 6.6 per cent last year;
- Exports to Western Europe are expected to increase 2.5 per cent in 1999, virtually the same growth as 1998;
- Exports to Japan are expected to decline by 1.7 per cent in 1999, following a 27 per cent decline last year;
- Exports to East Asia are expected to decline by 1.5 per cent, following a 33 per cent decrease in 1998; exports to China and India should rise by two per cent in 1999, following a 5.5 per cent decrease last year; and
- Exports to Mexico are expected to decrease 1.3 per cent in 1999, following an eight per cent increase last year.



Latin America *revisited*

by Toby Herscovitch

With the recent decision by EDC to place permanent representatives in Brazil and Mexico, *Export Wise* looks at the rationale behind these new foreign desks, as well as trade opportunities in some smaller Latin American markets.

When asked which emerging market region would be most important over the next five years, the top finance executives of some 350 multinational corporations favoured Latin America (46%) over Asia (32%). The data comes from a survey late last year, by Ernst & Young, which also ranked Brazil as the top country in which the corporate giants plan to invest over the next few years (22%), followed by China (20%) and Mexico, India and Britain (10%).

Recognizing the important trade and investment opportunities in Latin America for Canadian exporters, EDC recently selected São Paulo, Brazil, and Mexico City as key centres for foreign market representation. (For a more detailed report on these areas, see *Export Wise*, Winter 1999 issue.) The EDC representatives will be based at the Canadian Embassy or consulate in those cities before this year ends. EDC also has a Business Development Manager in Beijing, China.

"Our choice of locations was based on an assessment of three key

Photo: Buenos Aires, Argentina: ©Peter Christopher/Masterfile
Torres del Paine Mountains Chile ©Freeman Patterson/Masterfile

factors: each region's business potential, our customers' priorities and the market priorities assigned by the Department of Foreign Affairs and International Trade," notes Michael McLean, EDC's Vice-President for Latin American and European Markets.

Business potential relates to total imports, foreign direct investment, Canadian exports, EDC historical support and projected market growth. Customer priorities reflect the presence of key buyers, project sponsors and borrowers, Canadian exporters, international banks and other key intermediaries.

"We talk about taking Canada to the world, but we can't do that sitting in Canada," says EDC President and CEO A. Ian Gillespie. "We have to be more aggressive in leveraging the extensive international contacts we've developed over the years and in establishing new ones to help Canadians capitalize on business opportunities as they arise."

Adds McLean: "Our team is dedicated to developing long-term relationships with key international buyers of Canadian goods and services. We are constantly on the move, keeping abreast of ongoing developments in the legal, regulatory and credit arenas in evolving markets. The next logical step was to place key people in targeted markets, such as Mexico and Brazil, so that we can build on those relationships to bring solid business leads back to Canadian exporters."

Beyond the "Big Two"

Both São Paulo and Mexico City were also chosen for their proximity and transportation links to other important centres in the region. Increasingly, Canadian exporters are developing business and participating in projects throughout Latin America.

In a recent study by the Council of Latin American Business Entrepreneurs (CEAL), Argentina, Chile and Uruguay were ranked as being most open for business. The results were based on CEAL's Economic Freedom Index that evaluated 11 Latin American economies, taking into account such factors as import volume as a percentage of GDP, degree of government regulation and price control, and degree of freedom to produce.

"We talk about taking Canada to the world, but we can't do that sitting in Canada."

A. Ian Gillespie,
President & CEO, EDC

Dramatic economic reforms throughout Latin America have triggered a revolution in telecommunications and manufacturing and a renaissance in such areas as oil and gas exploration and mining.

In 1998, for example, the world's largest mining companies devoted the biggest portion of their total exploration budgets, nearly 30 per cent or some $814 million, towards projects in Latin America, according to Canadian mining consultants Metals Economics Group. Some of the biggest projects are in Chile, Argentina and Peru, many drawing Canadian investment and EDC support. Following, we focus on these and other trade activities in Argentina and Chile.

Fast tracking in Argentina

"In 1998, Argentina was one of the fastest growing economies in Latin America," says EDC Economist James McCormack. "The most significant short-term risk, however, is ongoing financial market uncertainty, preventing Argentinean borrowers from accessing international credit."

Canadian exports to Argentina leaped 92 per cent, to $395 million, in 1997. Last year, EDC supported some $366 million worth of exports and foreign investments in Argentina, representing EDC's fifth highest business volume in Latin America. This volume was largely based on a mix of political risk insurance (PRI), short-term credit insurance and financing.

Private industry in Argentina continues to be revitalized, strengthening the country's economy and export prospects for Canadians. "After years of decay and neglect, industry is refitting itself with imported capital and state-of-the-art technology, increasing productivity and cutting costs to become more competitive," says Claudio Escobar, EDC's Regional Manager for Argentina, Chile and Peru. "For Canadian companies to complement the efforts of Argentinean industry, they must develop a sustainable presence in the region."

Escobar cites the example of YPF, Argentina's largest oil and gas company. Just a few years ago, it was government-owned and had the dubious distinction of being the only such company in the world to lose money. Today, as a private concern, it is Argentina's most powerful enterprise. YPF has a US$25 million line of credit (LOC) with EDC, which is ready to be tapped for the purchase of Canadian products and services.

Seven other key Argentinean companies and banks also have LOCs with EDC, for a total of US$220 million, facilitating Canadians' entrance into that market.

One of Latin America's largest mining projects is in Argentina. By 2000, the Bajo de la Alumbrera mine is expected to rank among the 10 largest copper mines and 15 largest gold mines in the world. It is being developed by a joint venture company owned by Rio Algom of Canada and two Australian firms.

"This is a good example of a mega-project where EDC is partnering with a syndicate of insurers to build the capacity that meets the commercial bank syndicate's PRI needs," says Barbara Grinfeld, EDC Financial Services Manager, PRI.

"We were able to provide a high level of value because we were one of the first export credit agencies to develop a document to cover commercial banks directly. The other insurers liked our approach and the sponsors and lenders appreciated that we could bring everyone to agree on a single policy document, another first. They were also comfortable that we could co-lead a syndicate the size of Alumbrera's."

"By pursuing investment in Chile, Canadian firms can open doors to other parts of the continent."

Claudio Escobar, EDC

Opening doors via Chile

"In spite of its relatively small economy, Chile has a very effective infrastructure that supports and promotes international trade and business development," says Escobar. "By pursuing joint ventures and investment in Chile, Canadian firms can open doors to many other parts of the continent with whom Chile has progressively reduced trade barriers.

"Other Latin American countries tend to look towards Chile for ideas on how to structure their own economies. For instance, Chile has experienced growth rates that averaged six per cent a year over the past decade, double the regional average." In addition, Chile was the first Latin American country to follow Mexico in setting up a free trade agreement with Canada, which took effect in mid-1997.

"Economic policy in Chile remains the most prudent in Latin America," says McCormack. "However, Asia accounts for one-third of Chilean exports, and export prices, particularly for copper, have fallen sharply. Reduced trade with Asia resulted in deterioration of Chile's current accounts in 1998."

While EDC's 1997 volume of business in Chile was relatively small at $87.5 million, this volume swelled to some $314 million in 1998, owing mainly to effective relationships developed by EDC with corporations such as Codelco, CMPC, Endesa, Copec and Chilquinta, in the mining, power and other industrial sectors.

For example, last year EDC participated in a syndicated loan to Codelco, Chile's state-owned mining company. Currently, EDC is developing other opportunities with Codelco, encouraging the company to procure Canadian goods and services.

"Codelco is the world's largest integrated copper producer and its appetite for mining equipment, technology and know-how is enormous," says David Herscovitch, Manager of EDC's Industrial Advisory Services. "So far, Canadian companies have had moderate success in supplying this giant. With EDC's support, Codelco has a far better understanding of Canadian capability in the field, vastly increasing opportunities for Canadian suppliers."

Addition ☐ **Deletion** ☐

I.D. #____________________ *(as it appears in upper left corner of your mailing label)*

Name Title

Company Name Telephone

Address *(please include full address)*

Change ☐ **From:** **To:**

From:	To:
Name Title	Name Title
Company Name Telephone	Company Name Telephone
Address *(please include full address)*	Address *(please include full address)*

Help us better understand your needs.

Language preference

- E ☐ English
- FF ☐ French

You are... (choose one)

- E1 ☐ currently exporting
- E2 ☐ not exporting
- E3 ☐ considering exporting

Export volume (choose one)

- V1 ☐ Less than $1 million
- V2 ☐ $1 million to $5 million
- V3 ☐ More than $5 million
- V4 ☐ Not applicable

☐ **I would like an EDC account manager to contact me.**

MAIL POSTE

Canada Post Corporation
Société canadienne des postes

Postage Paid
if mailed in Canada
Business Reply

Port payé
si posté au Canada
Réponse d'affaires

0184194799 **01**

0184194799-K1A1K3-BR01

EXPORT WISE
EXPORT DEVELOPMENT CORPORATION
151 O'CONNOR ST
OTTAWA ON K1A 1K3

Argentina at a glance

Population: 36 million
GDP per capita: $8,380
GDP growth: 4.0 per cent
Inflation: 1.0 per cent
Canadian exports: $187 million
Canada's market share: 0.6 per cent
Current account balance: $-12.8 billion

EDC's position:

Short-term — Good experience. Open without restrictions.
Medium/long-term — Good experience. Open, subject to an overall exposure guideline.
Political risk insurance — Case-by-case.

Canadian opportunities:

Oil and gas, mining, manufacturing, power generation.

Who to contact:

Canadian Embassy in Argentina
Susan Harper
Counsellor (Commercial/Economic)
Tel.: (011-54-1) 805-3032
Fax: (011-54-1) 806-1209

DFAIT

Carlos Miranda
Trade Commissioner
Tel.: (613) 996-4199
Fax: (613) 943-8806

CIDA INC.

Simon Bussières
Program Manager
Tel.: (819) 997-0542
Fax: (819) 953-5024

EDC

Contact the EDC regional office nearest you (see listing, inside back cover) or EDC's Regional Manager for Argentina, Claudio Escobar, (613) 598-8571.

Chile at a glance

Population: 14.6 million
GDP per capita: $4,860
GDP growth: 4.6 per cent
Inflation: 4.7 per cent
Canadian exports: $378 million
Canada's market share: 1.4 per cent
Current account balance: $-5.4 billion

EDC's position:

Short-term — Good experience. Open without restrictions.
Medium/long-term — Good experience. Open, subject to an overall exposure guideline.
Political risk insurance — Case-by-case.

Canadian opportunities:

Mining, forestry, energy, telecommunications.

Who to contact:

Canadian Embassy in Chile
Brian Oak
Counsellor (Commercial)
Tel.: (011-56-2) 362-9660
Fax: (011-56-2) 362-9664

DFAIT

Doreen Conrad
Senior Trade Officer
Tel.: (613) 995-0642
Fax: (613) 943-8806

CIDA INC.

Simon Bussières
Program Manager
Tel.: (819) 997-0542
Fax: (819) 953-5024

EDC

Contact the EDC regional office nearest you (see listing, inside back cover) or EDC's Regional Manager for Chile, Claudio Escobar, (613) 598-8571.

Lines of credit & export financing

EDC has many types of export financing facilities to simplify the purchase of Canadian goods and services by buyers in export markets.

These facilities fall into two broad categories: supplier credit financing and buyer credit financing.

One example of supplier credit financing is a note purchase agreement. Under such an agreement, EDC purchases from an exporter a series of promissory notes issued by a foreign buyer to the exporter upon the sale of goods or services.

Buyer credit financing includes direct loans and lines of credit. Direct loans are a financing arrangement between EDC and a buyer, or a borrower on behalf of a buyer, for a predetermined transaction. Loans usually involve large transactions with long repayment terms.

Lines of credit are a streamlined form of financing in which EDC lends money to a foreign bank, institution or purchaser, which then onlends the necessary funds to foreign purchasers of Canadian goods and services. Interest rates, repayment terms and other details are prearranged between EDC and the foreign borrower, which speeds up turnaround time. Transactions supported under lines of credit are usually valued at between US$50,000 and US$5 million. EDC currently has 47 lines of credit, providing one form of access to export financing for buyers in some 25 countries.

Listed below are the details and contacts for the lines of credit which exporters have found most useful.

It is important to note that:

- **EDC's financing and insurance services extend beyond countries in which EDC has established lines of credit.**
- **These lines of credit are one of several ways in which EDC will do business in these markets.**
- **If you are thinking about exporting but have never used one of EDC's lines of credit, it is wise to contact EDC as early as possible.**

For more information on how EDC export financing can help you close a deal abroad, contact the regional office nearest you.
(Refer to the contact list on the inside back cover.)

Categories

Overseas Area Code = 011

1 - Borrower
2 - Signing amount
3 - Repayment terms
4 - Buyers' contact with borrower
5 - Borrowers' contact in North America

Lines of Credit

Mexico, Central & South America

Andean Pact – Bolivia, Colombia, Ecuador, Peru and Venezuela

1) **Corporación Andina de Fomento (CAF)**
2) US$70 million
3) 10 years
4) Mr. Fernando Infante
Vice-President of Finance
Tel.: 582-209-2283
Fax: 582-209-2329

Mr. José Vicente Maldonado (Bolivia)
Tel.: 591-243-1333
Fax: 591-243-2049

Ms. Liliana Canale (Colombia)
Tel.: 571-313-2311/2549
Fax: 571-313-2787

Mr. Alfredo Solarte (Ecuador)
Tel.: 593-222-4080
Fax: 593-222-2107

Mr. Gustavo Fernández (Peru)
Tel.: 511-221-3566
Fax: 511-221-0968

Mr. Carlos Romero (Venezuela)
Public Sector
Tel.: 582-209-2183
Fax: 582-209-2463
Ms. Blanca Alarcón, Private Sector
Tel.: 582-209-2379
Fax: 582-209-2433

Argentina

1) **Banco Francés**
2) US$10 million
3) 2, 3, 5 or 7 years
4) Mr. Fernando Sola
Regional Manager
North America and Asia Pacific
Tel.: 541-346-4326/4000 (ext. 1893)
Fax: 541-346-4337

1) **Industrias Metalúrgicas Pescarmona S.A.I.C. y F. (IMPSA)**
2) US$15 million
3) 3 semi-annual installments
4/5) Mr. Miguel Valentini
Director of Purchasing (Pittsburgh)
Tel.: 412-344-7003 (ext. 21)
Fax: 412-344-7009

1) **Pan American Energy (Argentina Branch)**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Pablo M. Ferrari
Financing Department
Tel.: 541-310-4332
Fax: 541-310-4367

1) **Telecom Argentina STET-France Telecom S.A.**
2) US$45.2 million
3) 3 to 8.5 years
4) Mr. Tomás Silveyra, Manager
Financial Operations
Ms. Carolina Campos
Financial Operations
Tel.: 541-968-3500/3532
Fax: 541-312-9472

1) **Telefónica de Argentina S.A.**
2) US$50 million
3) 3 to 8.5 years
4) Mr. Juán López Basilvaso
Director of Finance
Ms. Antonieta Martino/
Mr. Raul H. Rolandi
Finance
Tel.: 541-325-0190
Fax: 541-325-1920

1) **Total Austral S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Alain Petitjean
Financial Controller
Tel.: 541-346-6400
Fax: 541-346-6697

1) **YPF, S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Enrique Waterhouse/
Ms. Dora E. Acosta Vásquez
Tel.: 541-329-5685
Fax: 541-329-5838

Argentina, Brazil, Colombia and Uruguay

1) **BankBoston**
2) US$25 million
3) 2 to 8 years
4) Mr. Julio Laffaye
Trade Finance Manager
International Services (Argentina)
Tel.: 541-346-2112
Fax: 541-346-3209/343-7303

Mr. Carlos Martins (São Paulo)
Tel.: 5-511-249-5622
Fax: 5-511-249-6430

Mr. Damián Donnelly (Bogotá)
Tel.: 571-313-3481
Fax: 571-313-3536

Mr. José Baniela (Montevideo)
Tel.: 598-296-0127
Fax: 598-296-2209

5) Mr. David Ames, Assistant Vice-President
International Corporate Finance
Tel.: 617-434-5178
Fax: 617-434-1188

Brazil

1) **Banco do Brasil**
2) US$25 million
3) up to 5 years
4) Mrs. Rosana Porto Feirosa
Tel.: 55-11-3066-9021
Fax: 55-11-3066-9029

1) **Petrobrás**
2) US$15 million
3) up to 5 years
4) Mr. Hernani Fortuna
Head, Investment Finance
Tel.: 5-521-534-1450
Fax: 5-521-534-4278

1) **Unibanco – Uniâo de Bancos Brasileiros**
2) US$15 million
3) 2, 3, 4 or 5 years
4) Ms. Silvia Nucci
Manager International Relations/
Ms. Patricia Urbano
Manager, Corresponding Banking
Tel.: 5-511-867-1684/4321/1900
Fax: 5-511-815-4484/814-0528/867-1689
5) Mr. Durval Araujo (New York)
Tel.: 212-207-9426
Fax: 212-754-4872

Mr. Marcos Pereira (Miami)
Tel.: 305-372-0100
Fax: 305-350-5622

Colombia

1) **Banco Cafetero**
2) US$10 million
3) up to 8.5 years
4) Mr. Luis Hernando Manrique
Head Special Lines Department
Tel.: 571-341-1511 (ext. 3700)
Fax: 571-284-2097/286-8893

1) **Cementos del Caribe**
2) US$5 million
3) up to 5 years
4) Mr. Ernesto Ritzel, Treasurer
Tel.: 575-355-6069
Fax: 575-355-9829

Honduras, Costa Rica, El Salvador, Guatemala and Nicaragua

1) **Central American Bank for Economic Integration (CABEI)***
2) US$20 million
3) 5 years
4) Mr. Jorge Kawas/Mr. Eduardo Membreño
(Tegucigalpa, Honduras, Headquarters)
Tel.: 504-228-2208/2209
Fax: 504-228-2135

Lic. Ronald Martínez Saborío/
Mr. Dennis Sánchez Acuña (Costa Rica)
Tel.: 506-253-9394
Fax: 506-253-2161

Ing. Francisco José Ramírez Cuadra
(El Salvador)
Tel.: 503-260-2244/2245
Fax: 503-260-3276

Lic. Jorge Mario Diaz Rosal (Guatemala)
Tel.: 502-334-1744/332-2722
Fax: 502-331-1457

Ing. Roger Arteaga Cano (Nicaragua)
Tel.: 505-266-4120 to 4123
Fax: 505-266-4143/4125

* *CABEI is closed to new projects in the public sector/Government of Nicaragua.*

Mexico

1) **Banca Serfin, S.A.**
2) US$20 million
3) 5 years
4) Mr. José Carrassó Arnaiz
Vice-President, International Division
Tel.: 525-512-1009
Fax: 525-625-5613
5) Mrs. Paloma Healey
Tel.: 416-360-8900
Fax: 416-360-1760

1) **Bancomer, S.A.**
2) US$75 million
3) 5 to 8 years
4) Ms. Cecilia Sáenz y Sáenz
Vice-President, Import Financing
Tel.: 525-621-3861/3491
Fax: 525-621-4758

1) **Banco Nacional de Comercio Exterior, S.N.C. (Bancomext)**
2) US$125 million
3) 5 to 10 years
4) Ms. Rosa María Solís, Vice-President
International Banking, North America
Tel.: 525-481-6051
Fax: 525-481-6077
5) Mr. Marco Espinosa
Trade Commissioner of Mexico (Toronto)
Tel.: 416-867-9292
Fax: 416-867-1847

1) **Banco Nacional de México, S.A. (Banamex)**
2) US$125 million
3) 5 to 10 years
4) Ms. Carmen Trujillo, Comercio Exterior
Tel.: 525-720-7065
Fax: 525-720-7315

1) **Banco Nacional de Obras y Servicios Públicos, S.N.C. (Banobras)**
2) US$20 million
3) 5 to 8 years
4) Lic. Abelardo Bravo Herrera, Gerente
Operaciones Bancarias Internacionales
Tel.: 525-723-6000
Fax: 525-723-6235

1) **Comisión Federal de Electricidad (CFE)**
2) US$50 million
3) up to 10 years
4) Mr. Agustín Izquierdo
Head, Credit Operations Department
Tel.: 525-286-6859
Fax: 525-286-1456

1) **Hylsa, S.A. de C.V.**
2) US$20 million
3) 5 years
4) Mr. Manuel Moguel, Treasury
Tel.: 528-328-1220
Fax: 528-328-1885

1) **Nacional Financiera, S.N.C. (Nafin)**
2) US$28 million
3) 5 to 8 years
4) Mr. Jorge Muñoz Cuevas
Manager Bilateral Financing
Tel.: 525-325-7022/7023
Fax: 525-325-6496

1) **Petroleos Mexicanos (Pemex)**
2) US$50 million
3) variable up to 10 years
4) Ing. Eduardo Ito
Deputy Manager, Trade Finance
Tel.: 525-250-6478
Fax: 525-254-1896

1) **Teléfonos de México, S.A. de C.V. (Telmex)**
2) US$35 million
3) 3 to 7 years
4) Mr. Gustavo León Méndez, Treasury
Tel.: 525-222-1153/1154
Fax: 525-203-5972

Peru

1) **Banco Wiese Ltdo.**
2) US$15 million
3) 2 to 5 years
4) Mr. Eduardo Lizarzaburu Cuba
Financing Intermediation Division
Tel.: 511-428-6000
Fax: 511-426-9414
5) Mr. Javier Román
Tel.: 511-426-6231
Fax: 511-428-3163

Trinidad & Tobago

1) **Central Bank of Trinidad & Tobago**
2) US$15 million
3) up to 8.5 years
4) Ms. Cara Mae Farmer
Manager, Banking Operations
Tel.: 868-625-4835/623-4715
Fax: 868-625-2468

Venezuela

1) **BARIVEN, S.A./Petróleos de Venezuela, S.A. (PDVSA)**
2) US$50 million
3) 2 to 8.5 years
4) Mr. Jesus Bello
Finance Manager
BARIVEN, S.A. (Caracas)
Tel.: 582-201-4761
Fax: 582-201-4605
5) Mr. Philip Lemon
Trade Financial Analyst
PDVSA Services, Inc. (Houston, Texas)
Tel.: 281-588-6400
Fax: 281-588-6287

Africa & Middle East

Algeria

1) **Banque Algérienne de Développement (BAD)**
2) US$100 million
3) 3 or 5 years
4) Mr. Saddek Alilat, Director
Tel.: 213-2-677-583/4/5
Fax: 213-2-674-241

1) **Sonatrach**
2) US$70 million
3) 3 or 5 years
4) Mr. Mohamed Kerkebane, Director
Tel.: 213-2-746-272/746-209
Fax: 213-2-746-256

Ghana

1) **Ministry of Finance and Economic Planning**
2) US$20 million
3) up to 10 years
4) Ms. Agnes M. Batsa
Economic Planning Division
Tel.: 233-21-665-608
Fax: 233-21-667-069

Israel

1) **Bank Hapoalim B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Yona Rosenberg
Foreign Trade Department
Tel.: 972-3-567-3424
Fax: 972-3-567-4548

1) **Bank Leumi Le-Israel B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Liorah Tidhar, First Vice-President
Trade & Project Finance
Tel.: 972-3-514-7373
Fax: 972-3-514-7865

1) **United Mizrahi Bank Limited**
2) US$10 million
3) 3, 5 or 7 years
4) Mr. Chana Chefer
Foreign Trade Department
Tel.: 972-3-567-9011
Fax: 972-3-567-9028

Lebanon

1) **Credit Libanais SAL**
2) US$10 million
3) 3 to 8.5 years
4) Mr. George Khouri
Tel.: 961-158-2390
Fax: 961-160-2615

South Africa

1) **First National Bank of Southern Africa Limited/Rand Merchant Bank**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Willie Coetzee
International Project Finance
Tel.: 011-27-11-282-8369
Fax: 011-27-11-282-8318

1) **Impofin (Pty) Limited**
2) US$15 million
3) up to 8.5 years
4) Mr. Leon Potgieter, Deputy General Manager, Industrial Development Corporation of South Africa Ltd.
Tel.: 011-269-3266
Fax: 011-269-3121

1) **Nedcor Bank Ltd.**
2) US$10 million
3) 3 to 8.5 years
4) Mr. David N. Fienberg, Head
International Finance Unit
Tel.: 011-27-11-630-7444
Fax: 011-27-11-630-7146

1) **The Standard Bank of South Africa Limited**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Gerald Nolan
Senior Manager, International Finance
Tel.: 011-636-5062
Fax: 011-636-3181

Tunisia

1) **Ministry of International Cooperation and Foreign Investment**
2) US equivalent of Cdn$100 million
3) up to 10 years
4) Mr. Abdelhamid Bouhawala
Tel.: 216-1-798-522
Fax: 216-1-799-069

Europe

Turkey

1) **Turk Eximbank Export Credit Bank of Turkey**
2) US$50 million
3) 3 to 7 years
4) Mr. Ertan Tanriyakul, Finance Manager
Tel.: 312-417-1300
Fax: 312-425-2947

Ukraine

1) **State Export Import Bank of Ukraine**
2) Cdn$20 million
3) 3 to 10 years
4) Ms. Tetyana M. Kutuzova
Head of Department
Tel.: 380-44-247-8925/26
Fax: 380-44-247-8928/8082
Telex: 131258 RICA

Asia & Pacific

China, People's Republic of

1) **Bank of China**
2) US$200 million or its equivalent in Cdn. or other acceptable foreign currencies
3) up to 10 years
4) Ms. Zheng Lin, Project Manager
Credit Business Department
Tel.: 86-10-6834-7518
Fax: 86-10-6834-2111

1) **Bank of Communications**
2) US$25 million
3) up to 10 years
4) Ms. Liu Ganghua, General Manager
Credit Department
Tel.: 86-21-6275-1234 (ext. 1941)
Fax: 86-21-6275-6224

1) **China Construction Bank** *(previously People's Construction Bank of China)*
2) US$100 million
3) up to 10 years
4) Mr. Yu Hui, Manager
International Department
Tel.: 86-10-6759-8555
Fax: 86-10-6759-8549

Indonesia

1) **P.T. Indah Kiat Pulp & Paper Corp.**
2) US$25 million
3) 3 to 10 years
4) Mr. Ronny Kurniawan, General Manager
Export Credit Finance
Tel.: 62-21-392-9266
Fax: 62-21-392-8875

1) **P.T. Pabrik Kertas Tjiwi Kimia**
2) US$10 million
3) 3 to 10 years
4) Mr. Ronny Kurniawan, General Manager
Export Credit Finance
Tel.: 62-21-392-9266
Fax: 62-21-392-8875

Contacts

EDC SEE

Head Office
151 O'Connor
Ottawa, Canada
K1A 1K3

Tel.: (613) 598-2500
Telex: 053-4136
Fax: (613) 237-2690
Internet: http://www.edc.ca

Smaller exporters — companies with annual export sales of up to $1 million — can contact our team of specialists at

1-800-850-9626

If your export sales exceed $1 million annually, call any one of EDC's regional offices at

1-888-332-3777

Western Canada

Glen Hammond
Regional Vice-President

Vancouver Office
Suite 1030
505 Burrard Street
Vancouver, British Columbia
V7X 1M5
Tel.: (604) 666-6234
Fax: (604) 666-7550

Ray Johnson
Business Development Manager

Winnipeg Office
Commodity Exchange Tower
Suite 2075
360 Main Street
Winnipeg, Manitoba
R3C 3Z3
Tel.: (204) 983-5114
Fax: (204) 984-0163

Lewis Megaw
Business Development Manager

Calgary Office
Home Oil Tower
Suite 606
324-8th Avenue S.W.
Calgary, Alberta
T2P 2Z2
Tel.: (403) 292-6898
Fax: (403) 292-6902

Bruce Stanton
Business Development Manager

Edmonton Office
Suite 905
10010-106th Street
Edmonton, Alberta
T5J 3L8
Tel.: (780) 495-2286
Fax: (780) 495-2346

Karen Goss
Business Development Manager

Ontario

Ruth Fothergill
Regional Vice-President

Toronto Office
Suite 810
150 York Street
P.O. Box 810
Toronto, Ontario
M5H 3S5
Tel.: (416) 973-6211
Fax: (416) 862-1267

David Little
Business Development Manager

Ottawa Office
151 O'Connor Street
Ottawa, Ontario
K1A 1K3
Tel.: (613) 598-3152
Fax: (613) 598-6858

Hal Miller
Business Development Manager

London Office
Suite 1512
148 Fullarton Street
London, Ontario
N6A 5P3
Tel.: (519) 645-5828
Fax: (519) 645-5580

Laura Gainer
Business Development Manager

Quebec & Atlantic Canada

Henri Souquières
Regional Vice-President

Montreal Office
Suite 4520
800 Victoria Square
P.O. Box 124
Tour de la Bourse
Montreal, Quebec
H4Z 1C3
Tel.: (514) 283-3013
Fax: (514) 878-9891

Harold Riley
Business Development Manager

Halifax Office
Purdy's Wharf Tower II
Suite 1410
1969 Upper Water Street
Halifax, Nova Scotia
B3J 3R7
Tel.: (902) 429-0426
Fax: (902) 423-0881

David Surrette
Business Development Manager

Moncton Office
International Trade Centre
1045 Main Street
4th Floor, Unit 103
Moncton, New Brunswick
E1C 1H1
Tel.: (506) 851-6066
Fax: (506) 851-6406

Charles Gaudet
Business Development Manager

Other organizations that help exporters

Team Canada Inc • Équipe Canada inc

1-888-811-1119
www.dfait-maeci.gc.ca

BDC

Business Development Bank of Canada
1-888-463-6232
www.bdc.ca

Canadian Commercial Corporation
1-800-748-8191
www.ccc.ca

Alliance of Manufacturers and Exporters Canada
(613) 238-8888
(416) 798-8000
www.the-alliance.org

NorthStar Trade Finance
1-800-663-9288
www.northstar.ca

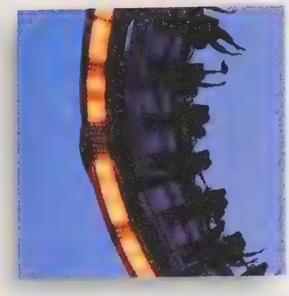
Published by Export Development Corporation

Export wise

Summer/July 1999

No easy ride for steel sector

Central Europe: *heartland of progress*



Export Wise

Summer/July 1999

From the President
On the right track
3

Inside Track
Doing business in Euroland
4

EDC strengthens and formalizes environmental practices
5

Credit insurance offers protection against Y2K risk
6

Inter.net.working: Export Alert, Exporting Canada Online and Canadian Exporters Catalogue
7

Industry Watch
No easy ride for steel sector
8

Parkdale: A business built on exports
11

QMR turns to EDC for competitive edge
12

Pro-Eco partners with EDC to stay ahead of the pack
13

Focus on Smaller Exporters
Export opportunities come knocking through IBOC
14

Ghana LOC benefits Canadian firms
15

On the Map
Central Europe: ***heartland of progress***
16

Countries at a glance: The Baltics; Poland
19

EDC Listings
Lines of credit
20

Contacts
23

Export News
- Awards
- Export Ease
- New OECD rules
- EDC speaks out

Insert

Editor Cathy Lynch

Editorial Assistant/Desktop Design
Deborah Chapman

Creative Direction & Production
Mantle & Overall Communications

Film & Printing
The Lowe-Martin Group

Contributors
Cressida Barnabe, Patricia Cameron, Deborah Chapman, Lorne Cutler, Andrew Douglas, Todd Evans, Maria Forde, A. Ian Gillespie, Dennis Goresky, Julie Harrison, Toby Herscovitch, Linda Kenny, Chantal Lalande, Cathy Lynch, Tim O'Connor, Michael Scully, Kevin Skilliter, Tom Sloan, Lena Trickey and Judith Whitehead

Cover [illegible] Peter Christopher [illegible]

Translation
(from Export Wise to Exportateurs avertis)
Maguy Robert and Anne Tanguay

Advisory Board
June Domokos, Andrew Douglas, Todd Evans, Françoise Faverjon-Fortin, Ruth Fothergill, Walt Hutchings, Leslie Kenway, Keith Milloy, Maguy Robert, Kurt Rufelds, Mary Van Buren and Jayne Watson

Export Wise is published four times a year by EDC's Corporate Communications Department.

EDC 151 O'Connor Street
Ottawa, Canada K1A 1K3
Tel.: (613) 598-2500
Fax: (613) 237-2690
Telex: 053-4136
Internet: http://www.edc.ca

CPC Agreement No.: 1456571

Export Development Corporation (EDC) is the only Canadian financial institution devoted exclusively to providing trade finance services in support of Canadian exporters and investors in up to 200 countries. Founded in 1944, EDC is a Crown corporation that operates as a commercial financial institution.

The editor welcomes signed letters of comment on articles that appear in **Export Wise** or on events and issues related to the Canadian export industry. Letters may be edited to meet the magazine's style and space requirements.

All dollar amounts indicated in the magazine are in Canadian dollars unless otherwise specified.

Be sure to visit EDC's Web site at http://www.edc.ca

Ce document existe également en version française sous le titre **Exportateurs avertis**.

On the right track

A. Ian Gillespie
President and
Chief Executive Officer

As many of you know, EDC's legislation — the Export Development Act — is currently under review to determine EDC's effectiveness in supporting the needs of Canadian exporters and investors. Thank you to those of you who participated in the review process; your feedback is a valuable adjunct to our own customer satisfaction research.

The prevailing message was good news: confirmation that EDC is on the right track. Our mandate is broad enough to allow us to tackle the key issues you've identified, and we agree on which issues take priority: act as a catalyst for Canadian business opportunities, and further enhance the risk management capacities of the Canadian financial system. Most importantly, we're taking action.

EDC is taking a more proactive approach to supporting Canadian exporters. We're leveraging our international profile in trade finance circles and in foreign markets to identify business opportunities for Canadian firms, and providing upfront financing commitments to project sponsors contingent upon procurement from Canada being pursued.

This is in addition to fulfilling our traditional role of providing a broad range of financing and insurance services to exporters who come to us for assistance. According to the Environics Research Group, which surveyed EDC's customers as part of the legislative review process, we have achieved high levels of satisfaction with our existing products and services. Respondents who have used specific EDC products were asked to rate them, yielding the following results: EDC credit insurance ranked "very high" with 88 per cent of respondents; financing ranked "very high" with 85 per cent of respondents; political risk insurance ranked "very high" with 94 per cent of respondents; and bonding service ranked "good" or "excellent" with 84 per cent of respondents.

Recognizing that one institution cannot fulfil the needs of every Canadian exporter, EDC is partnering with Canadian financial institutions — sharing the risks they undertake when supporting exporters — to enhance their interest in meeting Canada's export credit needs.

In addition to providing a range of insurance and finance opportunities, we've also worked with financial institutions to develop a number of innovative solutions, many of which are specifically targeted at smaller exporters. These include NorthStar Trade Finance, the Master Accounts Receivable Guarantee (MARG), and the Automotive Tooling Finance Program. We've already mobilized some $15 billion in working capital and other financial capacity, and we're looking to develop similar programs with other financial players.

By more fully applying our mandate to act as a catalyst for Canadian business opportunities, and by strengthening our efforts to cooperate with Canadian financial institutions to further enhance the risk management capacities of the Canadian financial system, EDC expects to play a leadership role in increasing the international competitiveness of Canadian businesses. This will pave the way for you, our customers, and help you to compete in global markets

Doing business in Euroland

by Todd Evans

While the adoption of the euro currency by 11 European trading nations is expected to have a relatively modest impact on Canadian exporters, they should reap benefits in the long run.

On January 1, 1999, 11 participating nations within the Economic and Monetary Union (EMU) adopted a single currency, the euro. The group of countries — often referred to as Euroland or the EU-11 — comprises Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain. (Denmark, Greece, Sweden and the United Kingdom are expected to join the EU-11 over the next several years.)

From January 1, 1999 to December 31, 2001, financial market transactions must be carried out in euros while use of the new currency is optional for all other non-cash transactions. The euro can be used for credit card, debit card, cheque and traveller's cheque transactions, and companies can use the new currency for accounting, and for paying suppliers and workers' salaries. Exchange rates between the 11 countries have been fixed to the euro while a single monetary policy, administered by the European Central Bank (ECB), has been instituted. Beginning January 1, 2002, euro notes and coins will be introduced into circulation. As of July 1, 2002, the old national currency notes and coins will no longer be considered legal tender.

Implications for Canadian exporters

The impact of the euro on Canadian exporters is expected to be relatively modest, since the EU-11 represents a minor market for Canada; the 11 nations combined purchased just 3.5 per cent of Canada's exports in 1998, and supplied 6.8 per cent of Canada's imports.

Nevertheless, Canadian exporters to the region should reap some benefits. Increased GDP and better long-term growth prospects in the EU-11 should translate into greater demand for Canadian goods and services. Also, the shared currency will translate into lower transaction costs and reduced exchange rate risks, since it is less costly to deal in one currency than in 11 different currencies. Marketing and distribution costs should also come down. Finally, market opportunities and risks will be more easily comparable across different EMU countries.

Despite the potential benefits of the euro for Canadian exporters, there are costs and risks involved. Canadian firms have to prepare themselves to operate in euros, which will take time and resources. There is also the risk that Canada may lose market share due to trade diversion in the euro bloc. That is, European Union (EU) firms may be more inclined to deal with suppliers within the common currency area and avoid exchange rate risks altogether. When weighed against the positive attributes of the euro however, Canadian exporters should see improving long-term EU demand for their goods and services as well as a streamlining of associated operating costs.

Todd Evans is an analyst in EDC's economics department.

Export Wise

HELP us keep our mailing list up-to-date.

strengthens formalizes ronmental tices

To help EDC customers meet increasing environmental challenges abroad, EDC has strengthened its existing environmental practices, and articulated those practices in its new Environmental Review Framework.

While EDC has always taken environmental risks into consideration as part of its overall risk assessment process, we have recently formalized our position on this issue with the introduction of our Environmental Review Framework. The new Framework not only strengthens and builds on our existing practices, but also articulates our operating principles, guidelines and philosophy to our customers, business partners, other financial institutions and our shareholder.

By formalizing this Framework, EDC acknowledges the importance of fostering trade competitiveness in a manner consistent with environmental conservation.

The Framework was developed by an internal team led by EDC's Industrial Advisory Services group and Government Relations and Corporate Policy, in collaboration with a leading environmental consultant. During the development process, we obtained invaluable feedback from key stakeholders, including customers, exporters, trade associations and environmental organizations. The result is a Framework that defines a simple, clear and efficient process for review, on a timely basis, of the best available environmental information on projects that EDC is asked to support.

The Framework is based on two guiding principles:

- Environmental reviews undertaken by financial institutions to mitigate risk can help to encourage sustainable development, by promoting consideration of the environmental benefits and costs of projects to the host country.
- EDC should decline to support projects which are, in its opinion, likely to cause significant adverse environmental effects that will not be justified or offset by the anticipated positive effects of those projects.

"We hope that this Framework leads to greater awareness by exporters, foreign investors, project sponsors, financial institutions and host countries of the potential environmental impacts of their proposed projects, as well as what EDC's expectations and requirements are for support," explains EDC President and CEO, A. Ian Gillespie.

"We realize this will not satisfy particular groups that would prefer EDC not support any infrastructure projects in emerging markets," adds Gillespie. "We believe it strives to create a balance between ensuring environmental integrity and encouraging sustainable development for those countries to grow and create their own economic and social development."

The Framework will be open to public comment and regular reviews, and will evolve over time. EDC will share the experience in implementing this Framework with its international counterparts and will continue to pursue a multilateral approach to the issue that maintains a level playing field for all exporters. EDC hopes the Framework will become a model for other export financial institutions.

To obtain a copy of the Environmental Review Framework, visit EDC's Web site at www.edc.ca or contact our regional office nearest you (see inside back cover of this issue).

Credit insurance offers **protection** against Y2K risk

by Tom Sloan and Kevin Skilliter

The Year 2000 problem could not have come at a worse time. That is, on the heels of the Asian crisis, turmoil in Russia, and the recent currency crisis in Brazil. In addition, many developing economies are focusing on the current economic crisis, not Y2K. How can you be sure that Y2K problems encountered by your trading partners don't put your foreign account receivables at risk? EDC's credit insurance may be your answer.

EDC's credit insurance, also known as short-term accounts receivable insurance, protects against commercial risks associated with your buyer. These include insolvency, refusal of goods, termination of the contract, and default on payments — even non-payment due to Y2K non-compliance. (For the record, it also protects against political risk such as difficulties in converting or transferring hard currency, cancellation of import or export permits and war-related risks.)

This doesn't necessarily mean you should sit back and let the (computer) chips fall where they may. Since this coverage only

EDC is on cover for Y2K risk for over 35,000 buyers

indemnifies up to 90 per cent of loss, we strongly encourage all exporters to conduct Y2K due diligence on their buyers. Also bear in mind, as with all "cause avoidable" situations, if losses are due to exporters failing to perform because of their own Y2K non-compliance, they will not be covered.

Since EDC is on cover for Y2K risk for over 35,000 buyers, we had to establish a filtering process to assess all buyers for potential Y2K risk. This filtering process involves developing a risk matrix based on Y2K risks associated with the country and industry in which the customer plans to do business. A more detailed assessment will be conducted if a particular buyer's company risk and level of exposure exceed our established thresholds.

We are not alone in our belief that Y2K efforts of this sort are necessary. A recent report by IOMA (Institute of Management and Administration) stated that 89.5 per cent of credit managers fully expect to encounter minor disruptions to business, and another 3.2 per cent believe it will be a major catastrophe. Only 7.3 per cent of credit managers anticipate that Y2K will be a non-event. In this same survey, 47 per cent of the credit managers estimated that up to 9 per cent of their buyers were at risk for bankruptcy due to Y2K non-compliance.

While credit insurance does not solve all Y2K problems, it should have a place for companies that would like to put a hard dollar limit on exposure of one of the more important assets of their business: accounts receivables.

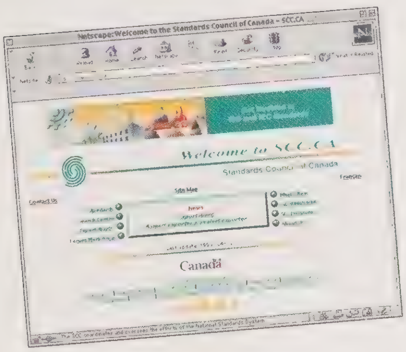
For more information about EDC's credit insurance, contact the EDC regional office nearest you (see listing on inside back cover).

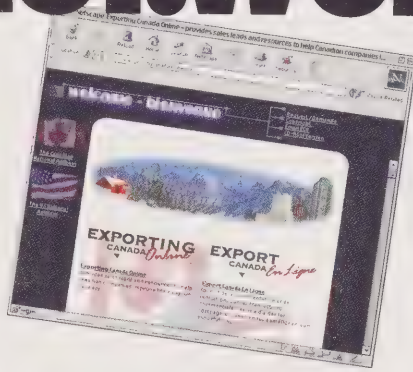
Tom Sloan and Kevin Skilliter are members of the Short-Term Financial Services Working Group assessing EDC's Year 2000 business risk.

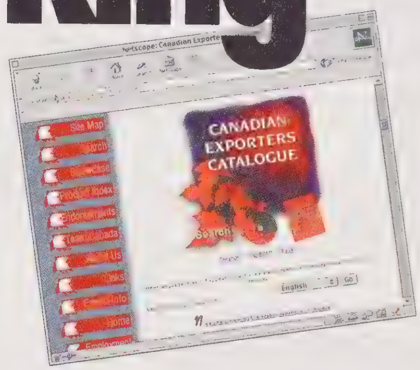
The Internet can provide you with a wealth of information almost immediately, provided you know where to look. The following are some export-oriented Web sites we hope will prove useful: Export Alert, Exporting Canada Online and Canadian Exporters Catalogue.

inter.net.working

by Linda Kenny







Export Alert, Standards Council of Canada

(www.scc.ca)

Export Alert is a cutting-edge, web-based notification service designed to keep Canadian exporters abreast of regulatory changes in global markets, in any given field of interest. This fully automated service is free through the Standards Council of Canada's (SCC) Web site, supported by the Department of Foreign Affairs and International Trade. Export Alert helps you take a proactive approach to exporting by alerting you before the product rules change. It also offers exporters an opportunity to voice their opinions, by providing a venue to comment on the changes.

Exporting Canada Online, TradeBytes Data Corp.

(www.exportingcanadaonline.com)

Geared to both new and experienced Canadian exporters, Exporting Canada Online is designed to assist Canadian companies to improve their ability to do business in the international arena. It features several databases, including: the Red & White pages which allow users to identify and learn about export service firms, such as brokers, carriers, and communication and financing providers, through links to multimedia presentations; the Trade Byte database which allows users to locate prospective U.S. buyers and their addresses through targeted searches; and various lists of government services, associations and publications that provide services, support and networking for Canadian exporters. In addition, if you need exporting tips about shipping, customs or advertising, among other things, this site offers a wide assortment of frequently asked questions and tips answered by export professionals.

Canadian Exporters Catalogue, International Publishing and Development

(www.worldexport.com)

The Canadian Exporters Catalogue is a fully searchable Web catalogue that offers an easily accessed, cross-referenced database of Canadian exporters, enabling prospective buyers to conduct searches by name, product description or location. Under the heading "Export Information", the Web site offers a list of useful government resource links in the areas of training, finance and regulations. Visitors to the site are also offered multilingual services. Developed by International Publishing and Development (privately owned and operated), in conjunction with Team Canada, the catalogue is also available in hard copy or CD-ROM format.

Linda Kenny is EDC's in-house Web specialist, responsible for EDC's Web site (www.edc.ca).

No easy ride for steel sector

by Cathy Lynch

Although North American demand for steel has remained strong, a collapse in industry prices during the last six months of 1998 affected not only profits, but also the quality of trade credit — and associated risks — considered by raw material suppliers, steel producers and distributors. EDC has strengthened the position of several Canadian companies involved in the steel sector, and is helping them emerge from the decline relatively unscathed.

Steel is as much a part of everyday life as the air we breathe and the water we drink. It is not just one material, but a vast range of different materials used to make an endless variety of products. Many of our personal, household and office items contain steel, from watches to key rings, food and beverage cans to lawnmowers, paper clips to furnishings. Steel is used in the construction of roads, rail and bridge structures, reinforced concrete walls and pillars, airplanes, industrial machinery, even housing.

Steel consumption in any country is closely linked to its economy, with the largest use of finished steel products occurring in the wealthiest countries of the world. North American steel use is approximately 420 kg per person per year, according to the International Iron and Steel Institute (IISI). This consumption rate is well ahead of Europe (340 kg), but understandably behind Japan (635 kg) and many Asian countries that are currently investing in industry, transport infrastructure, construction and overall improved standards of living.

The 1980s and early 1990s marked a general decline in North American steel consumption, attributed to a lull in the economy as well as competition from alternative materials such as aluminum and plastic. However, steel consumption reached a 25-year high for North America in 1997, according to the IISI, and remains strong. Steel suppliers have improved their technology, manufacturing processes, quality and service. They have developed new products and applications to enhance their competitiveness. In fact, 50 per cent of the steel products sold today were not available 10 years ago.

Yet, despite burgeoning demand, the steel industry has just come through another decline, marked by significant price decreases. These price hits have had a ripple effect, as industry and government players try to compensate for lost revenues.

Prices down

Decreasing steel prices late last year and first quarter 1999 can largely be attributed to economic crises in Korea and Brazil, both of which are large producers and consumers of steel. To meet large foreign exchange obligations, these countries needed to obtain foreign hard currency because the local currency in these markets had depreciated significantly.

Their solution was to export to global markets, and to the North American market in particular. This in turn displaced traditional supply from the European and North American steel sectors, and caused a glut on the market. With inventories at historic highs, steel producers were forced to significantly reduce their pricing, creating difficult conditions in the industry that have yet to abate fully. As a result, in the latter part of 1998 and early in 1999, at least three steel makers in the United States filed for Chapter 11, and many have experienced financial difficulties with steel producers in Mexico, Venezuela and Brazil.

Canadian suppliers of raw materials to the steel sector have also felt the impact of very difficult industry conditions. For example, recently negotiated coal prices for 1999 delivery to Japan resulted in a price decline of 18 per cent.

Reducing risks

"In the past year, the steel industry has undergone some fundamental changes, pretty much unique in the history of steel," observes Ray Grady, Financial Services Manager with EDC's Base and Semi-manufactured Goods (BSG) Team. "These changes are affecting the way raw material suppliers, producers and distributors of steel do business," he adds.

"One of the reasons raw materials suppliers are looking to EDC for trade credit insurance," explains Grady, "is to facilitate either expanding or maintaining their business relationships with steel producers. I think we've been effective in doing that. For example, when the Asia crisis brought turmoil to the Korean market, Canadian suppliers were not getting support from financial institutions that had traditionally been partners. EDC was quick to react, visiting the market, determining the impact the crisis had on the buyers that Canadian suppliers were dealing with, and providing appropriate support to allow continued supply to the market. Without this coverage, many Canadian suppliers would have been shut out of the market."

"In the past year, the steel industry has undergone some fundamental changes, pretty much unique in the history of steel."

— Ray Grady, BSG Team

Grady says industry changes have also prompted buyers to request different payment terms. "For example, where suppliers have traditionally sold on letter of credit, we're now looking at extended open account terms to enhance the marketability of the product being offered for sale," he explains. "This is because the steel makers themselves are looking at reducing costs, and one way to do this is by replacing expensive letter of credit terms with much cheaper open account terms." The impact on Canadian suppliers is threefold. First, they move to less secure payment terms by having direct exposure on the buyer as opposed to the buyer's bank. Second, they must finance their shipments for the length of the term, adding costs to their own operations. Third, depending on shipment schedules, exposures may be significantly increased to the point where they exceed suppliers' comfort levels, potentially causing Canadian suppliers to forfeit sales rather than increasing their level of exposure.

Expanding their options

Part of the reason raw material suppliers are willing to scramble to meet the needs of their buyers is because, despite the continuing demand for steel, there has been an ebb in demand for raw materials, caused by the backlog in steel inventories. With volumes down, competition on the rise, and prices below normal, Canadian suppliers of raw materials are willing to consider lower quality credit risks to maintain the volumes.

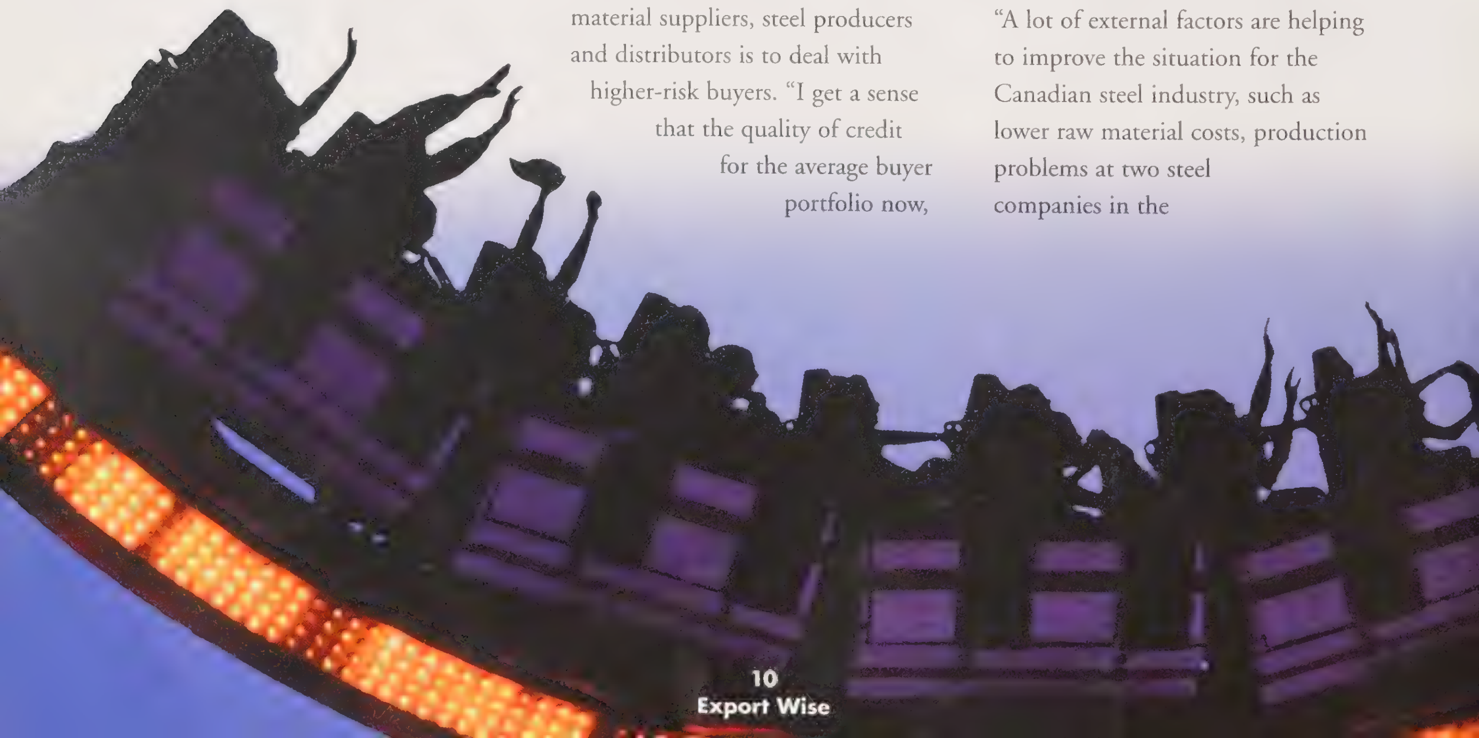
Grady says the same comment could be said about the steel producers and distributors. "Where before they had many years of solid growth in the United States, now they have to maintain volumes, so they're selling to lower-tier quality." In fact, steel producers and distributors have more limited options, because their primary market remains within North America.

The fallback position for raw material suppliers, steel producers and distributors is to deal with higher-risk buyers. "I get a sense that the quality of credit for the average buyer portfolio now, as opposed to a year ago, is very different," says Grady. This is consistent with the industry's heightened perception of risk, as evidenced by significant increases in steel sector bonds over the past eight months.

Another challenge to the industry involves consolidation in the steel sector. Canadian suppliers of raw materials through to finished steel products are selling to a smaller number of buyers. "While they are selling to fewer buyers, the sales volumes have remained consistent or grown, so their exposures with individual buyers have increased substantially over the past 10 years," says Grady. "As a result, the potential loss they are exposed to is substantially larger than 10 years ago."

Outlook

That said, analysts are already predicting improved conditions, particularly for the export of Canadian steel to the U.S. market. "We're starting to inch our way out of the decline now," says Grady. "A lot of external factors are helping to improve the situation for the Canadian steel industry, such as lower raw material costs, production problems at two steel companies in the



United States, a reduction in the flow of offshore products into the U.S. market, reductions in inventory, and continued strong demand."

While the industry seems to be emerging from the lower end of the cycle, risk remains as companies struggle to regain market share and profitability. The changes that have taken place seem to be creating a new industry standard in the supplier–buyer relationship. Less secure and longer payment terms, in addition to the consolidation of the industry, have created unprecedented exposures in the supplier community. As a result, Canadian raw material suppliers are increasingly being asked to provide their buyers with working capital.

EDC is partnering with its steel customers to meet these conditions, and expects to remain an important link for Canadian companies as they pursue success in this challenging industry.

Parkdale:
A business built on exports

by Julie Harrison

Parkdale International Limited is proof positive that exporting is a viable, profitable and immediate business option. Founded on March 13, 1962, by the Goldblatt family, Parkdale started exporting its product the very next day. For more than 35 years now, this 40-person, family-owned company has exported steel products around the world. Expanding export markets have allowed Parkdale to grow each year, with current annual sales reaching well into eight figures.

Photo: courtesy of Parkdale International

Working in as many as 10 different countries at a time, Parkdale chooses to remove credit risk from its business. The company protects all of its receivables using EDC's accounts receivable insurance. "We partner with EDC for its risk management specialization and foreign buyer knowledge," explains Les Lasky, CEO at Parkdale. "We prefer to concentrate on serving our customers, not on managing credit risk.

"We have a high-demand product that comes in three formats: coils, plates or cut sheets. Our customers want product choice and efficient service, and this has become our emphasis," explains Lasky. Parkdale likes to partner with suppliers who share this approach. "We work with EDC on an ongoing basis, and we consistently receive same-day service," says Lasky. "That's the beauty of our relationship with EDC — it's straightforward, simple, and EDC has a product that meets our needs."

In addition to providing a useful product, Parkdale President Bob Raphael believes his company's success can be attributed to providing the highest level of customer service. "We are customer-driven, and the export market has provided a growing base for expansion," says Raphael. This customer focus pays off, he adds. "Like EDC, we provide value-added services to our customers to help their businesses grow. When their business grows, so does ours."

Québec Metal Recycling **turns to EDC for competitive edge**

Photo: courtesy of Québec Metal Recycling

by Toby Herscovitch

Ever wonder where your defunct cars or kitchen appliances end up? It could be the United States, Mexico or Turkey – that is, if new EDC customer Québec Metal Recycling gets a crack at them.

For Québec Metal Recycling (F.N.F.)* Inc. (QMR), scrap metal — from old cars and appliances to rail wheels and metal structures — represents a $150 million business annually. The company collects scrap metals from numerous manufacturers, demolition companies, government and Crown corporations, among others.

QMR is part of the SNF Group, one of the largest scrap metal recyclers in Eastern Canada, and one that is increasingly making a dent in U.S. and overseas markets. The business was founded in 1973, by brothers Jean-Guy and Bernard Hamelin, who bought and sold scrap metal to recyclers in their spare time. Now, it is part of a small empire of auto dismantling and flattening, as well as metal shredding, processing and refining operations, spread through many parts of Quebec and the Maritimes.

Laval-based QMR annually processes and resells about 550,000 metric tons of ferrous metals (iron) and 35,000 metric tons of non-ferrous metals (mainly aluminum and copper), to industries throughout North America as well as to customers in Asia and Europe, particularly Korea and Turkey.

"Québec Metal Recycling has been exporting for over a decade, with exports now representing about a third of our ferrous and about half of our non-ferrous sales," points out Paul-Émile Tremblay, Vice-President, Finance. Both parts of the business are poised for further expansion and overseas growth — the ferrous side through acquisition, and the non-ferrous component with the construction of a new aluminum refinery.

"Until recently, we sold our products abroad on letters of credit, which is common practice when dealing with customers in Asia and Europe. With the Asian crisis, we increased our export focus on the United States and Mexico; we are finding that these customers look at North America as one big "domestic" market and expect to trade on open account terms," notes Tremblay.

"That's why we recently turned to EDC for credit insurance. It lets us offer competitive credit terms to our U.S. and Mexican customers, which facilitates our transactions with them, while giving us a greater sense of security."

QMR is covered by EDC's Global Comprehensive Shipments Policy, enabling the company to comfortably offer its customers credit terms, while EDC covers 90 per cent of QMR's receivables if a customer defaults on payment.

"Before setting up the policy, EDC's representative Jean-François Renaud toured our operations and made a real effort to get to know our business and our particular needs," says Tremblay. "Not every financial company gives you that kind of support."

**Ferrous and Non-Ferrous*

Export news

A Supplement to **Export Wise**

This year's winner of the International Business Studies and Achievement Award, under the Ontario Global Traders provincial award program, is Marnie Kelly (second from left), a student at Sheridan College, School of Business. Pictured here (L to R) are: Al Palladini, Minister, Economic Development, Trade and Tourism; Kelly; Barbara Eddy, Associate Director, Sheridan College, School of Business; and Ruth Fothergill, Regional Vice-President (Ontario), EDC.

EDC sponsors student achievement awards

by Deborah Chapman

The Ontario Global Traders Awards program was launched by Ontario Exports Inc., the Government of Ontario's leading trade agency, and sponsored by Bank of Montreal, along with several partners in trade, to recognize outstanding exporting achievement by small- and medium-sized enterprises. As one of these partners, EDC recently sponsored the International Business Studies and Achievement (IBSA) Award, one of five categories in the overall Global Traders program.

"In keeping with our role to support Canada's export community, and particularly in view of our ongoing commitment to the Education and Youth Employment (EYE) strategy, EDC was pleased to sponsor the International Business Studies and Achievement Award," says Ruth Fothergill, EDC's Vice-President, Ontario Region. "We were equally pleased to present the provincial award in this category to Marnie Kelly, at the first annual Ontario Global Traders Awards ceremony." EDC has

continued on page 2

Export Ease
saves exporters time

EDC and Accord Business Credit Inc. have recently launched Export Ease, a unique new turnkey program for Canadian exporters. Export Ease is an all-inclusive package of accounts receivables insurance, credit reporting and management functions, that combines the receivables management expertise of Accord with the export receivables insurance services of EDC.

"This program will be particularly helpful to small- and medium-sized companies who are often pressed for time and need to be relieved of routine administrative tasks," says John Hutchison, Vice-President of SME services at EDC.

"For an extremely competitive price, exporters can have Accord, in effect, become a company's export credit manager," explains Mark Perna, president of Accord. "Under Export Ease, the exporter continues to find the business and fill orders but Accord handles everything else — from doing credit checks on the foreign buyer to administering the policy and collections. And if the buyer fails to pay, the exporter is still protected against 90 per cent of the loss under EDC insurance coverage," adds Perna.

"This partnership is a good fit for EDC and Accord because it's a good fit for exporters," says Mr. Hutchison. "Here's a simple and affordable service that allows exporters to concentrate on what they do best — finding deals and filling orders."

For more information, contact Accord in Montréal at (514) 954-1836, in Toronto at (416) 961-0007 or from elsewhere at 1-800-967-0015.

New OECD rules benefit Canadian exporters

by Julie Harrison

April 1 marked the launch of a new premium package, agreed upon by Export Credit Agencies (ECAs) under the OECD Consensus. This new OECD premium package is specifically designed to ensure that all OECD ECAs are charging at least a minimum amount for the country risks they cover — good news for Canadian exporters.

Before now, Canadian exporters faced competition backed by agencies that charged little or no risk-based fees. "We are encouraged that risk-based pricing has been recognized as the overriding principle of the entire package, reducing the potential for subsidies," comments Glen Hodgson, EDC's Director of International Relations.

EDC views this new OECD premium package as a major step by OECD participants toward a more commercial approach in their activities. Under this premium structure, pricing will reflect the classification of a country in one of seven risk categories; the exposure term; and the type of ECA support provided (i.e., lending, guarantee, insurance).

"We are pleased that the premium rates will be reviewed on an annual basis and are not cast in stone, and that private market pricing references have been recognized as a key tool to judge the appropriateness of the OECD premium rates," says Hodgson.

Despite the overall benefits, EDC does acknowledge that there may be cases where the OECD premium benchmarks may limit EDC's flexibility with respect to pricing. The OECD has, however, agreed to recognize the more sophisticated tools of underwriting frequently used by EDC, and will allow some flexibility to charge less than the minimum rates if the technique reduces country risk.

Appointment

EDC is pleased to welcome **Raymond C. Setlakwe** to its board of directors. Mr. Setlakwe is President and CEO of two companies, S. Setlakwe Ltd. and Saint-Hilaire Inc., both specializing in the ready-to-wear industry. He is also a director on the board of several companies, and is a member of a number of professional associations.

Correction

In the Spring/April 1999 issue of Export Wise, page 23, "Argentina at a glance" and "Chile at a glance", the phone number for Claudio Escobar should have read: (613) 597-8571. We apologize for any inconvenience caused by this error.

EDC sponsors...

continued from page 1

since offered Kelly a co-op assignment for this summer.

The IBSA Award recognizes special student achievements that contribute to the export success of Ontario's business community. Eligible candidates are Ontario residents under the age of 30 whose studies focus on international business or related fields in an Ontario college or university program.

Kelly, a student of the International Business Post-Graduate Program at Oakville's Sheridan College School of Business, was the overall provincial winner of the IBSA Award, after first winning the Central Ontario Regional Award in the same category. Kristian Li, a student at Queen's University School of Business in Kingston and Eastern Ontario Regional IBSA Award winner, was also a provincial nominee.

Other winners were: Steve Carriere, Bachelor of Commerce program at the University of Ottawa, who received an IBSA Award of Merit for the Eastern Ontario region; Jennifer Mahon, Sudbury's Cambrian College of Applied Arts and Technology, who received an IBSA Award of Merit for the Northern Ontario region; and Barbara Betanski, Herman Handa, Yuan Liao, Geraldine Nieves and David Rose, Wilfrid Laurier MBA students, who were given the IBSA Award of Merit for the Southwestern region.

The provincial Global Traders Awards were presented by Al Palladini, Minister of Economic Development, Trade and Tourism, at a gala held March 25 at the Royal Ontario Museum in Toronto. In addition to the IBSA category, awards were presented to winners in five other categories: Partnership, Leadership, Innovation and Market Expansion (given in two categories, for Products and for Services). Other partners in trade for the Global Traders Award program are Profit Magazine/Canadian Business Media; Deloitte & Touche; Institute of Chartered Accountants of Ontario; and Canadian Airlines.

For more information, visit the Government of Ontario's Web site at www.ontario-canada.com/export

1999 Canada Export Awards

pave the way for Canada Export Week in May 2000

by Andrew Douglas

This year's Canada Export Awards will be presented in Toronto on Wednesday, October 6, followed by a gala reception at the Royal Ontario Museum. The event will be hosted by the Honourable Sergio Marchi, Minister for International Trade, and attended by business leaders from across Canada as well as representatives from the various provincial governments and the academic community. Minister Marchi has also called for a Federal-Provincial Trade Ministers conference in Toronto to coincide with the Awards presentation ceremony.

During the past 16 years, the Canada Export Awards program has grown to become Canada's premier event for recognizing excellence in exporting among small, medium and large Canadian enterprises. More than 3,000 companies have applied for the awards in the past, and more than 200 companies have been recognized for outstanding export achievement.

This year, for the first time, one of the 10 recipients of 1999 awards will be honoured as Exporter of the Year. Also being awarded are the Export Development Corporation's Smaller Exporter Award, the CIBC Jobs and Growth Achievement Award, and the Teleglobe Award for Technological Innovation.

More changes on the horizon

In 2000, the Canada Export Awards program will move into early May, to become part of the Canada Export Week launch. Canada Export Week will include cross-Canada, export-related workshops, seminars and other events intended to communicate information about current export practices and challenges, as well as to raise the overall awareness of the importance of exports to Canada's wealth creation and future prosperity.

Canada Export Week will take place from May 7 to 13, and will be launched by Export Development Corporation and the Department of Foreign Affairs and International Trade (DFAIT) in Vancouver. In addition to the workshops and seminars, EDC also plans to sponsor an Executive Trade Symposium that will examine current issues and strategies having an impact on the development of Canada's future trade policy.

Local and regional export events are now being planned for the year 2000 in cooperation with Boards of Trade, Chambers of Commerce, Team Canada Inc, the Alliance of Manufacturers and Exporters Canada, various International Trade Centres, and provincial trade organizations and departments.

The Canada Export Awards program, which will be the cornerstone of the future Canada Export Week, is managed by DFAIT, in close cooperation with the four corporate sponsors: CIBC, Teleglobe, Maclean Hunter Ltd. and Export Development Corporation.

For more information about this year's Canada Export Award program or the development of Canada Export Week in May 2000, please contact Andrew Douglas at (613) 598-2906 or e-mail: dougan@edc4.edc.ca

---

Customer names EDC *"Supplier of the Year for 1998"*

EDC President A. Ian Gillespie (right), Consumer Goods Team Leader Jean Beaulieu (left) and Financial Services Manager Daniel Campbell display the award presented to EDC's Consumer Goods Team by Great Waters of Canada.

EDC was recently awarded the "Supplier of the Year for 1998" by Great Waters of Canada, based in Cambridge, Ontario. According to Julia Berger, Vice-President at Great Waters, "We've taken this unusal step in honouring one of our financial services partners, instead of a manufacturer, for several reasons: commitment to improving the overall quality of your product; excellent service; on-line accessibility; (rapid) response time; (and) EDC's valuable contribution in helping our company grow through the use of your products."

Since 1993, Great Waters has relied on EDC for insurance support on exports to the United States, and has experienced growth in volume every year during that time. Starting out as a customer of EDC's Emerging Exporters Team, Great Waters has been a Consumer Goods Team customer for the past year.

EDC SPEAKS OUT

On future global leaders:

"I believe that businesses have a responsibility, and even a self-serving obligation, to ensure that their future employees are well prepared... As a premier national sponsor of AIESEC, we recognize its valuable role in preparing students for a career in international business." — Françoise Faverjon-Fortin, Business Development Manager, Montreal, remarks to the AIESEC Partners in Exchange Forum (March)

"EDC is closely aligned with the Team Canada missions and I have seen with my own eyes the fantastic results of these missions. I also know that the Junior missions can reap amazing benefits for the participants, and in the long run for Canada's economic future in this era of global business." — A. Ian Gillespie, President and CEO, remarks during the launch of the Junior Team Canada Training Centres (April)

On the EDC Legislative Review:

"Our mandate was significantly expanded in 1993 ... This policy process now under way in Ottawa is a vital recognition that globalization is forcing Canadian companies to embrace new ways of doing business." — A. Ian Gillespie, President and CEO, remarks to the Toronto Board of Trade (May)

On small- and medium-sized enterprises:

"Our small- and medium-sized enterprises may be part of a solution to narrow Canada's innovation gap. ... Acknowledging this, EDC continues to intensify its support for SMEs." — A. Ian Gillespie, President and CEO, *Financial Post* (April)

On export credit agencies:

"Above all, ECAs must develop disciplines that get away from cookie-cutter responses and instead draw upon a large toolbox of leading-edge risk management solutions on a case-by-case basis." — Diana Smallridge, Director of Corporate Planning and Special Advisor to the President, remarks to the 9th Annual Global Convention on Export Credit and Political Risk, London, U.K. (February)

"EDC believes that an ECA's relevance and success should be judged by the degree to which it is self-sustaining, prices to the market and does not distort the market." — excerpt, *Canada Hong Kong Business* (March/April)

On industry events:

"This first-ever Annual North American Softwood Conference is a particularly relevant and important event and EDC is proud to take part as a sponsor. Our dedicated services to the forestry sector provide competitive financial solutions tailored to meet the requirements of our Canadian exporters, as well as their buyers. Last year alone, EDC's Forestry Team provided over $7.6 billion in insurance and financing support for the Canadian forestry industry." — North American Softwood Conference program, Montreal (May)

"Energy has historically been a sector of strategic importance and a major instrument in the creation of wealth and economic well-being for both Canada and Mexico. This is why I believe this conference to be particularly vital and relevant." — A. Ian Gillespie, President and CEO, remarks at the Energy Mexico '99 conference, Calgary (April)

On developing markets:

"Why this concentration on developing markets? Well, when Wayne Gretzy was asked why he was so successful scoring goals, he replied: 'I skate to where the puck is going *to be, not to where it has been'."* — June Domokos, Vice-President, International Markets, Let's Talk Risk Workshop, London (April)

Claims Paid

January 1, 1999 – April 30, 1999

Companies

259

Claims

526

Cdn $ Total

$25,115,788

Export Markets	Count
Africa & Middle East	4
Asia & Pacific	14
Europe	60
South America	6
U.S.A. & Caribbean	442

Risks	Count
Default	365
Insolvency	141
Call of Bond	2
Repudiation	13
Political and Transfer	4
Termination of Contract	1
Import Permits	0

Payments	Count
Under $5,000	270
Between $5,001 and $100,000	208
Between $100,001 and $1 million	44
Over $1 million	4

Pro-Eco partners with EDC to stay ahead of the pack

Photo: courtesy of Pro-Eco

by Michael Scully

For steel manufacturing and processing equipment manufacturers, a slowdown in global steel demand has had some repercussions. Modernization and expansion projects have been deferred or cancelled by many steel producers and service centres. The few projects going forward are then contested by very hungry equipment suppliers from all over the world. Companies like Pro-Eco look to EDC to help provide a competitive edge.

According to Win Fink, Director of International Sales for Pro-Eco, Canada's leading supplier of strip metal processing machinery, "Competition is fierce for the available contracts. Nevertheless, we have been able to keep the order book pretty full."

For example, Pro-Eco was recently awarded a large and important contract with Alexandria National Iron and Steel of Egypt (ANSDK). ANSDK is a very modern integrated steel company, recognized as one of the most modern and cost-effective producers anywhere in the world. The company is now building a new plant to produce steel sheet, applying the mini-mill approach (using steel scrap and scrap substitutes) to produce flat steel. Pro-Eco is supplying a push-pull pickling line which removes scale and oxides from the strip, so it can be sold scale-free or processed further into higher value-added products.

"Pro-Eco won the contract because the company's proposal was commercially competitive, in addition to being technically superior. We have an excellent track record in supplying pickle lines to the most highly respected steel processors around the world," says Bob Kelley, Director of Finance. Pro-Eco partners with Nelson Steel, a leading North American operator of pickle lines, to supply technically advanced lines with innovative features that enhance product quality and improve productivity.

Both Fink and Kelley credit EDC with helping to make the Pro-Eco bid so commercially competitive. "We have worked with EDC for almost 20 years, and this has developed into a real partnership," notes Kelley. "We use EDC to help us win export contracts and access working capital to grow our business, as well as to mitigate the risk of doing business in export markets."

Pro-Eco initially relied on EDC's Specific Transaction Insurance to mitigate non-payment risks on export contracts. More recently, the company has employed a Global Comprehensive Policy, which covers all of Pro-Eco's international business.

In addition, because many of Pro-Eco's contracts require the company to provide bank letters of guarantee against advance payments and warranties, it regularly uses EDC's Performance Security programs on deals — including the ANSDK project — to protect against wrongful calls on bank guarantees and ensure access to working capital. "EDC is able to meet our broad range of needs. It was even prepared to offer financing for the ANDSK project, if we decided to go that route," says Kelley. "EDC is the kind of business partner we need to remain competitive in today's market."

Michael Scully is a Financial Services Manager on EDC's Machinery & Equipment Team.

Export **opportunities come knocking** through IBOC

by Julie Harrison

At least 1,500 companies are richer thanks to the International Business Opportunities Centre (IBOC), an organization that matches Canadian companies with international trade leads provided by Canadian trade commissioners and commercial officers around the world. Founded in 1995, IBOC has put more than 5,000 Canadian companies in touch with foreign buyers, resulting in more than 1,500 trade deals to date.

IBOC is jointly operated by Industry Canada and the Department of Foreign Affairs and International Trade, and has a working partnership with Agriculture and Agri-Food Canada. The sourcing experts at IBOC use a variety of databases, as well as a large network of business contacts across the country, to match buyers with sellers. "We cover all business sectors in Canada, from aerospace and agriculture to natural resources and advanced technology," says IBOC Director Anna Biolik.

Valuable resource for SMEs

For small- and medium-sized businesses that may not have the resources needed to line up new business in export markets, IBOC is a good place to start.

A case in point is CPM Leading-Edge Technology Inc. This 30-person, Quebec-based company recently signed a US$31,000 contract to supply Malaysia's largest electric utility company, Tenaga Nasional Berhad (TNB), with three of its ACE 2000 power quality analyzers and recorders that detect and measure pollution on electrical networks. "This IBOC-aided contract allowed us to get a foot in the door of a new market, something that normally takes a lot of time, money, research and personnel," says CPM spokesperson Jacques Lambert.

Now, using the streamlined services of EDC's Emerging Exporter Team, CPM Leading-Edge Technology protects its export investments with account receivables insurance. CPM expects to ship another 25 or more of its ACE 2000 products this year, a contract valued at US$250,000.

To receive trade leads from IBOC, exporters should register in the WIN Exports and Canadian Company Capabilities (Strategis) databases, since these are the key databases used by the Centre in sourcing Canadian suppliers. Registration is possible through IBOC's Internet site (www.dfait-maeci.gc.ca/iboc-coai), which is hot-linked to the EDC Web site (www.edc.ca). You can also register by calling 1-800-551-4946 for the WIN database or 1-800-328-6189 for the Strategis database.

Source:
CanadExport, *December 1, 1998 and March 1, 1999 issues, published by the Department of Foreign Affairs and International Trade.*

Connect to export help online

InfoExport
(www.infoexport.gc.ca)
provides tips on how to become a successful exporter.

Team Canada Inc
(www.exportsource.gc.ca)
is an extensive network of government services which includes market information, training and counselling, financial assistance, regulations and standards and on-the-ground resources.

Canadian Commercial Corporation
(www.ccc.ca)
is a Crown corporation that assists exporters with the preparation of international bid documents.

EDC
(www.edc.ca)
supports Canadian exporters with buyer financing and export insurance.

Ghana LOC benefits Canadian firms

by Tim O'Connor

When Wespro UK of Britain won two hefty contracts in Ghana, one in 1996 and another in early 1998, it encountered a problem that is common when doing business in higher risk markets — accessing financing. An EDC line of credit not only saved the deals for Wespro, but also yielded opportunities for several Canadian suppliers.

In November 1996, Wespro discovered that EDC had signed a US$20 million line of credit (LOC) with Ghana's Ministry of Finance, and Wespro decided to access funds from this LOC to finance its projects. Fortunately for a few Canadian companies, the conditions attached to the LOC — as with all EDC-supplied LOCs — stipulated that funds accessed must be used to procure goods and services from Canadian suppliers. As a result, Wespro UK created Wespro Canada, and went looking for Canadian subcontractors to participate in the two contracts, the Rural Electrification Program and the TEMA Steam Generator Project.

"Without EDC, there wouldn't have been a deal," says Isaac Yardeni, Chief Executive Officer of Wespro UK. "I have a very high opinion of EDC. I think they are first-rate professionals. I've never come across another organization which is so responsive."

Major beneficiaries of Wespro's use of the LOC funds were Alcan Cable and Calgary's Ram/Integral Consortium, a joint venture of Ram Technical Services and Integral Energy and Environmental Engineering Ltd. Wespro awarded Alcan a US$3.8 million subcontract for the supply of overhead aluminum conductors, and Ram/Integral a US$6 million subcontract to install a 60-ton/hour steam generator, complete with a water treatment facility. For Ram/Integral, the amount of the contract exceeded the company's entire volumes for the previous year.

"We would definitely be smaller if we didn't work in foreign markets," says Jim Edwards, Vice-President of Finance and Administration at Ram/Integral. "We sure wouldn't have as many opportunities like this one."

During contract negotiations, however, Ram/Integral hit a speed bump. Although Wespro was confident in Ram/Integral's technical capabilities, it had concerns about the company's small size relative to the size of the contract. Ram/Integral was required to obtain a performance bond before Wespro would award it the contract. Further exacerbating the situation, Ram/Integral's bank would not issue a bond unless it could be insured.

Once again, EDC was able to help overcome a hurdle. It provided the bank with a Performance Security Guarantee which would cover the bank's losses if it had to pay out to Wespro, in the event Ram/Integral couldn't fulfil its contractual obligations.

"Ram/Integral would have had a lot of trouble getting involved in this project if EDC were not involved, because we wouldn't have had the necessary financial strength," says Edwards. "EDC was a big factor in us going ahead with this project.

"The biggest challenge was negotiating with all of the different parties involved," says Edwards. "There were quite a few pieces that had to be brought together. The advice and direction of our Financial Services Manager at EDC really helped us meet that challenge."

The Alcan subcontract was successfully completed in December 1997. The TEMA project is proceeding on schedule and Edwards is keen on pursuing more business for Ram/Integral beyond Canada's borders. He insists he'll continue looking to EDC in the future.

"EDC has been very important to us. It financed the project by providing the line of credit, promoted Canadian content which led to us getting involved, and provided us with the collateral we needed to get security for this project," says Edwards. "EDC support allows us to go out and do business in foreign markets."

According to Yardeni, Wespro UK expects to allocate a major role to its Canadian affiliate with respect to ongoing activity on the African continent, and to repeat its positive experience with EDC.

Photos: Lorne Cutler

Central Europe
heartland of progress

by Lena Trickey

Over the last decade, Central and Eastern Europe (CEE) have been home to some of the most promising economies in the world. Progress, however, has been far from easy, and the transition to stable market economies has not been consistent throughout the region. Here we examine some CEE countries which afford the best opportunities for Canadian exporters.

While trade opportunities exist in all CEE markets, lasting opportunities and lowered risk are concentrated in a few countries, dictated by the extent to which its members have accepted the rule of law, developed their infrastructures and committed themselves to reform.

Perhaps the most dynamic markets are those on the Baltic Sea: Estonia, Latvia and Lithuania (collectively known as "the Baltics") and Poland. Former members of the ancient Hansiatic League, which once contained some of Europe's wealthiest cities, these countries are re-emerging as the highest growth areas in Europe.

Poland, as the largest CEE nation, with the highest GDP and population, is a natural for Canadian companies looking to do business in the area. Poland's unwavering commitment to reform, along with its ties to the entire region, make it a good potential business partner. In addition, the Baltics, while small in size, are all relatively strong economically and serve as a springboard to both the former Soviet Union and, increasingly, the Nordic markets.

Poland: rising star of Europe

"Poland is one of the strongest emerging markets in Europe, because of its steady economic growth and momentum toward a stable, market-driven economy," noted Eric Siegel, EDC Executive Vice-President, after his participation early this year in Team Canada's business development mission to Poland and the Ukraine.

Since the collapse of the communist political system and the central planning economy in 1989, Polish society has been undergoing rapid change. Once known for its hyper-inflation, low foreign currency reserves and inefficient state-owned sector, Poland has turned into the star emerging market of the region (if not, as some claim, the world), producing more than 75 per cent of its GDP.

Poland has been able to combine strong economic growth — the fastest in CEE over the past four years — with plunging inflation, from over 500 per cent in 1990, to about 15 per cent last year. Production output has risen more than 20 per cent in the last 10 years under a market-oriented economy, the only CEE transitional economy to do so. Close to two-thirds of all jobs in Poland are now in the private sector, illustrating its firm commitment to privatization. By 2000, Poland's economy is projected to be 50 per cent larger than it was in 1990.

The primary goals of Poland's foreign policy are full integration with Western economic structures and harmonization with the norms of the European Union (EU) and the Organization for Economic Cooperation and Development (OECD). In March, Poland officially became a full member of NATO. It was also among the first countries to be accepted as a candidate for the EU and is a member of the OECD, WTO (World Trade Organization) and the Central European Free Trade Agreement (CEFTA).

Polish–Canadian relations are very good. During the Business Development Mission this past January, Prime Minister Jean Chrétien and Sergio Marchi, Minister for International Trade, paid their first visit to Poland. The main purpose of this trip was to enhance trade between our two countries. As Chrétien stressed, Canadian investors "see in the new Poland a place of opportunity... Their presence is a strong vote of confidence in what Poland has accomplished these past 10 years."

While Poland is Canada's largest market in Central Europe, Canada has lagged behind such countries as Germany and the United States in investing in Poland. As a result, our companies and products are less known than those of our G-7 competitors. The Prime Minister's visit initiated change to this and, with sustained work, we could see ample growth in bilateral and multilateral relations. Over the next few years, Canadian trade to Poland is forecast to reach as much as $500 million per year.

Poland is committed to creating a favourable climate for international business activity. For example, foreign investors can now own 100 per cent of a Polish company. Several bilateral treaties between Poland and Canada protect such investments, as well as investors' rights. Foreign direct investment into Poland surpassed $10 billion in 1998, up from some $6 billion in 1997, an exceptionally strong performance given the volatile international environment. Standard & Poor's recently rated Poland as the lowest investment risk over the next five years, among the 10 largest emerging markets worldwide.

Partnering with Polish business

EDC is a vital partner to Canadian initiatives in Poland. During Canada's recent business development mission, EDC announced its participation in Europort, a grain-handling facility in Gdansk being built by a Canadian-led consortium. To position Canada for future growth in Poland, EDC recently signed a cooperation agreement with Polish Oil & Gas Company and has had several discussions with Polish banks and other corporations in sectors where Canadian exporters have shown an interest.

Due diligence and finding the right business partner are essential prerequisites to any substantial investment in Poland. "You have to do your homework and also work along with your local partner to gain his or her confidence. A strong partnership

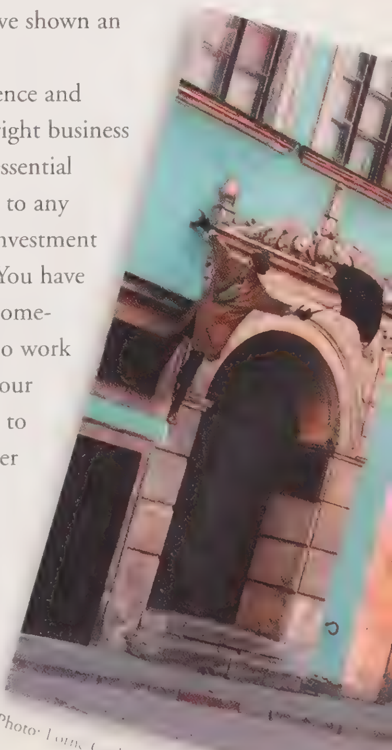


Photo: [illegible]


Photo: Lorne Cutler

will help you overcome many problems currently faced by foreign investors," says Dennis Goresky, EDC's Regional Manager for Poland.

Among the sectors offering opportunities for Canadian firms are agri-food, information technology, construction (residential and commercial), environmental technology, transportation, energy and mining. Poland's open economy is comparable to many OECD markets, allowing EDC to offer a full range of facilities — insurance, financing and political risk insurance — to support the sale of Canadian commodities, capital goods and services to this country.

Baltics: Committed to reform

There is a tendency to link the three Baltic countries – Estonia, Latvia and Lithuania – as if they are a single entity. In fact, they are quite different politically, economically and culturally. Their people speak different languages and each country has a distinct history.

Since their independence from the Soviet Union, the Baltics' commitment to reform and democratization has resulted in strong economic performance and political stability. Estonia's economic growth is the highest of any Former Soviet Union country, by a robust six to 10 per cent a year, followed by Latvia and Lithuania.

When it comes to foreign investment, Estonia is the most open of the three Baltic countries. It treats foreign and domestic businesses in the same manner and, in 1997, established its first free economic zone. Estonia is pioneering the accession of the Baltic States to the EU. But the EU is not the only desirable "club" — all the Baltics are eager to become members of NATO and the OECD. In October 1998, Latvia succeeded in becoming the first Baltic state to gain entry into the WTO.

The economies of all three countries have been affected by the Russian crisis, since they all act as a conduit for trade between Russia and the West. As well, some Baltic banks have had difficulties due to their exposure to Russian government and corporate securities. Nevertheless, the banking sector is expected to consolidate and stabilize over the next few years, with the help of some major investments by Scandinavian banks. Given the Baltics' diversification of trade with the West, that region is expected to continue growing.

Traditionally positioned as the gateway to Russia, investors are increasingly seeing the Baltics as the gateway to the Nordic countries. With the Baltics' lower wages, manufacturers are able to provide high-quality goods at competitive prices, compared to those of the high-wage Nordic countries.

Given their small size, the Baltics represent niche markets for Canadian exporters. In addition to light manufacturing (including electronics), their economies are based on fish, wood products, other agricultural items and trading. Estonia also seeks to continue developing its oil-shale deposits. Opportunities exist for Canadian exporters in the areas of energy conservation, light manufacturing, oil-shale mining and processing, food processing and construction.

In late 1998, the Canadian government led a trade mission to the Baltics, which heightened interest in Canadian investment there and promoted trade links with the region. The government is expected to lead a second trade mission to the region in late 1999.

"EDC is open for business in all three markets. In each country, we can work with the governments, selected banks and commercial companies," says Lorne Cutler, EDC's Regional Manager for the Baltics. "While our activity has previously been limited, EDC has provided support for the sale of foodstuffs to Lithuania and Latvia, passport and passport readers to Latvia, mining trucks to Estonia, and oil-shale and lighting equipment to private buyers in Estonia. As the level of transparency increases, EDC will be able to work with even more companies."

Article contributers Lorne Cutler and Dennis Goresky are EDC's Regional Managers for Poland and the Baltics respectively. Cutler, Goresky and Trickey are with EDC's International Markets Group.

The Baltics at a glance

Estonia

Population: 1.5 million
GDP per capita: $3,550
GDP growth: 4.8 per cent
Inflation: 10.7 per cent
Canadian exports: $5.6 million
Canada's market share: 0.2 per cent
Current account balance:
US$-0.5 billion

EDC's position:

Short-term – Good experience. Open without restrictions.
Medium/long-term – Good experience. Open, subject to an overall exposure guideline.
Political risk insurance – Open for cover with no restrictions.

Canadian opportunities:

Oil and gas, agri-food, building materials, forestry, machinery and equipment.

Latvia

Population: 2.5 million
GDP per capita: $2,350
GDP growth: 3.6 per cent
Inflation: 4.6 per cent
Canadian exports: $13.0 million
Canada's market share: 0.3 per cent
Current account balance:
US$-0.7 billion

EDC's position:

Short-term – Case-by-case.
Medium/long-term – Case-by-case.
Political risk insurance – Case-by-case.

Canadian opportunities:

Agri-food, building materials, forestry, machinery and equipment.

Lithuania

Population: 3.7 million
GDP per capita: $2,760
GDP growth: 4.4 per cent
Inflation: 5.1 per cent
Canadian exports: $8.2 million
Canada's market share: 1.2 per cent
Current account balance:
US$-1.3 million

EDC's position:

Short-term – Case-by-case.
Medium/long-term – Case-by-case.
Political risk insurance – Case-by-case.

Canadian opportunities:

Agri-food, building materials, forestry, machinery and equipment.

Who to contact:

Canadian Embassy in the
Republic of Latvia
(covers Estonia, Latvia and Lithuania)
Sean M. Boyd
First Secretary
(Commercial) and Consul
Tel.: (011-371) 783-0141
Fax: (011-371) 783-0140
E-mail: canembr@bkc.lv

DFAIT

William Gusen
Desk Officer
Tel.: (613) 995-8784
Fax: (613) 995-6319
E-mail: william.gusen@dfait-maeci.gc.ca
Internet: www.dfait-maeci.gc.ca

CIDA - *Technical Assistance*

David Yasui
Senior Project Officer
Tel.: (819) 953-4526
Fax: (819) 994-1208
E-mail: david_yasui@acdi-cida.gc.ca
Internet: www.acdi-cida.gc.ca

CIDA - *Renaissance Eastern Europe*

Margaret Coleman
Project Officer
Tel: (819) 997-3229
Fax: (819) 994-1208
E-mail:
margaret_coleman@acdi-cida.gc.ca

EDC

Contact the EDC regional office nearest you (see listing, inside back cover) or EDC's Regional Manager for the Baltics, Lorne Cutler, at (613) 598-2745 or e-mail: cutllo@edc1.edc.ca

Poland at a glance

Population: 38.7 million
GDP per capita: $4,000
GDP growth: 5.2 per cent
Inflation: 11.5 per cent
Canadian exports: $183.9 million
Canada's market share: 0.6 per cent
Current account balance:
US$-7.7 billion

EDC's position:

Short-term – Experience good but limited. Open without restrictions.
Medium/long-term – Open, subject to overall exposure guideline.
Political risk insurance – Open for cover.

Canadian opportunities:

Power, telecom, transportation, housing, oil and gas, and environment.

Who to contact:

Canadian Embassy in the
Republic of Poland
Barbara Giacomin
Counsellor (Commercial)
Tel.: (011-48-22) 629-80-51
Fax: (011-48-22) 622-98-03
E-mail: commerce@wsaw01.x400.gc.ca

DFAIT

Dan Mrkich
Senior Trade Commissioner
Tel.: (613) 992-1449
Fax: (613) 995-8756
E-mail: dan.mrkich@dfait-maeci.gc.ca
Internet: www.dfait-maeci.gc.ca

CIDA INC

Linda Ervin
Country Program Manager
Tel.: (819) 994-1141
Fax: (819) 994-1208
E-mail: linda_ervin@acdi-cida.gc.ca
Internet: www.acdi-cida.gc.ca

EDC

Contact the EDC regional office nearest you (see listing, inside back cover) or EDC's Regional Manager for Poland, Dennis Goresky, at (613) 597-8611 or e-mail: gorede@edc1.edc.ca

Lines of credit & export financing

EDC has many types of export financing facilities to simplify the purchase of Canadian goods and services by buyers in export markets.

These facilities fall into two broad categories: supplier credit financing and buyer credit financing.

One example of supplier credit financing is a note purchase agreement. Under such an agreement, EDC purchases from an exporter a series of promissory notes issued by a foreign buyer to the exporter upon the sale of goods or services.

Buyer credit financing includes direct loans and lines of credit. Direct loans are a financing arrangement between EDC and a buyer, or a borrower on behalf of a buyer, for a predetermined transaction. Loans usually involve large transactions with long repayment terms.

Lines of credit are a streamlined form of financing in which EDC lends money to a foreign bank, institution or purchaser, which then onlends the necessary funds to foreign purchasers of Canadian goods and services. Interest rates, repayment terms and other details are prearranged between EDC and the foreign borrower, which speeds up turnaround time. Transactions supported under lines of credit are usually valued at between US$50,000 and US$5 million. EDC currently has 48 lines of credit, providing one form of access to export financing for buyers in some 24 countries.

Listed below are the details and contacts for the lines of credit which exporters have found most useful.

It is important to note that:

- **EDC's financing and insurance services extend beyond countries in which EDC has established lines of credit.**
- **These lines of credit are one of several ways in which EDC will do business in these markets.**
- **If you are thinking about exporting but have never used one of EDC's lines of credit, it is wise to contact EDC as early as possible.**

For more information on how EDC export financing can help you close a deal abroad, contact the regional office nearest you.

(Refer to the contact list on the inside back cover.)

Categories

Overseas Area Code = 011

1 - **Borrower**
2 - **Signing amount**
3 - **Repayment terms**
4 - **Buyers' contact with borrower**
5 - **Borrowers' contact in North America**

Lines of Credit

Mexico, Central & South America

Andean Pact – Bolivia, Colombia, Ecuador, Peru and Venezuela

1) **Corporación Andina de Fomento (CAF)**
2) US$70 million
3) 10 years
4) Mr. Fernando Infante
Vice-President of Finance
Tel.: 582-209-2283
Fax: 582-209-2329

Mr. José Vicente Maldonado (Bolivia)
Tel.: 591-243-1333
Fax: 591-243-2049

Ms. Liliana Canale (Colombia)
Tel.: 571-313-2311/2549
Fax: 571-313-2787

Mr. Alfredo Solarte (Ecuador)
Tel.: 593-222-4080
Fax: 593-222-2107

Mr. Gustavo Fernández (Peru)
Tel.: 511-221-3566
Fax: 511-221-0968

Mr. Carlos Romero (Venezuela)
Public Sector
Tel.: 582-209-2183
Fax: 582-209-2463
Ms. Blanca Alarcón, Private Sector
Tel.: 582-209-2379
Fax: 582-209-2433

Argentina

1) **Banco Francés**
2) US$10 million
3) 2, 3, 5 or 7 years
4) Mr. Fernando Sola
Regional Manager
North America and Asia Pacific
Tel.: 541-346-4326/4000 (ext. 1893)
Fax: 541-346-4337

1) **Industrias Metalúrgicas Pescarmona S.A.I.C. y F. (IMPSA)**
2) US$15 million
3) 3 semi-annual installments
4/5) Mr. Miguel Valentini
Director of Purchasing (Pittsburgh)
Tel.: 412-344-7003 (ext. 21)
Fax: 412-344-7009

1) **Pan American Energy (Argentina Branch)**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Pablo M. Ferrari
Financing Department
Tel.: 541-310-4332
Fax: 541-310-4367

1) **Telecom Argentina STET-France Telecom S.A.**
2) US$45.2 million
3) 3 to 8.5 years
4) Mr. Tomás Silveyra, Manager
Financial Operations
Ms. Carolina Campos
Financial Operations
Tel.: 541-968-3500/3532
Fax: 541-312-9472

1) **Telefónica de Argentina S.A.**
2) US$50 million
3) 3 to 8.5 years
4) Mr. Juán López Basilvaso
Director of Finance
Ms. Antonieta Martino/
Mr. Raul H. Rolandi
Finance
Tel.: 541-325-0190
Fax: 541-325-1920

1) **Total Austral S.A.**
2) US$50 million
3) 2 to 8.5 years
4) Mr. Alain Petitjean
Financial Controller
Tel.: 541-346-6400
Fax: 541-346-6697

1) **YPF, S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Enrique Waterhouse/
Ms. Dora E. Acosta Vásquez
Tel.: 541-329-5685
Fax: 541-329-5838

Addition ☐ **Deletion** ☐ **I.D. #**________________ *(as it appears in upper left corner of your mailing label)*

Name Title

Company Name Telephone

Address *(please include full address)*

Change ☐ **From:**

Name Title

Company Name Telephone

Address *(please include full address)*

To:

Name Title

Company Name Telephone

Address *(please include full address)*

Help us better understand your needs.

Language preference

- ☐ English
- ☐ French

You are... (choose one)

- E1 ☐ currently exporting
- E2 ☐ not exporting
- E3 ☐ considering exporting

Export volume (choose one)

- V1 ☐ Less than $1 million
- V2 ☐ $1 million to $5 million
- V3 ☐ More than $5 million
- V4 ☐ Not applicable

☐ **I would like an EDC account manager to contact me.**

MAIL POSTE

Canada Post Corporation
Société canadienne des postes

Postage Paid
if mailed in Canada
Business Reply

Port payé
si poste au Canada
Réponse d'affaires

0184194799 **01**

0184194799-K1A1K3-BR01

EXPORT WISE
EXPORT DEVELOPMENT CORPORATION
151 O'CONNOR ST
OTTAWA ON K1A 1K3

Argentina, Brazil, Colombia and Uruguay

1) **BankBoston**
2) US$25 million
3) 2 to 8 years
4) Mr. Julio Laffaye
   Trade Finance Manager
   International Services (Argentina)
   Tel.: 541-346-2112
   Fax: 541-346-3209/343-7303

   Mr. Sergio Schirato (São Paulo)
   Tel.: 5-511-3881-6415
   Fax: 5-511-3881-6430

   Mr. Miguel de Pombo (Bogotá)
   Tel.: 571-313-2255/3455
   Fax: 571-313-3536

   Mr. José Baniela (Montevideo)
   Tel.: 598-296-0127
   Fax: 598-296-2209
5) Mr. David Ames, Assistant Vice-President
   International Corporate Finance
   Tel.: 617-434-5178
   Fax: 617-434-1188

Brazil

1) **Banco do Brasil**
2) US$25 million
3) up to 5 years
4) Mrs. Rosana Porto Feirosa
   Tel.: 55-11-3066-9021
   Fax: 55-11-3066-9029

1) **Petrobrás**
2) US$15 million
3) up to 5 years
4) Mr. Hernani Fortuna
   Head, Investment Finance
   Tel.: 5-521-534-1450
   Fax: 5-521-534-4278

1) **Unibanco – Uniâo de Bancos Brasileiros**
2) US$15 million
3) 2, 3, 4 or 5 years
4) Ms. Silvia Nucci
   Manager International Relations/
   Ms. Patricia Urbano
   Manager, Corresponding Banking
   Tel.: 5-511-867-1684/4321/1900
   Fax: 5-511-815-4484/814-0528/867-1689
5) Mr. Durval Araujo (New York)
   Tel.: 212-207-9426
   Fax: 212-754-4872

   Mr. Marcos Pereira (Miami)
   Tel.: 305-372-0100
   Fax: 305-350-5622

Colombia

1) **Banco Cafetero**
2) US$10 million
3) up to 8.5 years
4) Mr. Luis Hernando Manrique
   Head Special Lines Department
   Tel.: 571-341-1511 (ext. 3700)
   Fax: 571-284-2097/286-8893

1) **Cementos del Caribe**
2) US$5 million
3) up to 5 years
4) Mr. Ernesto Ritzel, Treasurer
   Tel.: 575-355-6069
   Fax: 575-355-9829

Honduras, Costa Rica, El Salvador, Guatemala and Nicaragua

1) **Central American Bank for Economic Integration (CABEI)***
2) US$20 million
3) 5 years
4) Mr. Jorge Kawas/Mr. Eduardo Membreño
   (Tegucigalpa, Honduras, Headquarters)
   Tel.: 504-228-2208/2209
   Fax: 504-228-2135

   Lic. Ronald Martínez Saborío/
   Mr. Dennis Sánchez Acuña (Costa Rica)
   Tel.: 506-253-9394
   Fax: 506-253-2161

   Ing. Francisco José Ramírez Cuadra
   (El Salvador)
   Tel.: 503-260-2244/2245
   Fax: 503-260-3276

   Lic. Jorge Mario Diaz Rosal (Guatemala)
   Tel.: 502-334-1744/332-2722
   Fax: 502-331-1457

   Ing. Roger Arteaga Cano (Nicaragua)
   Tel.: 505-266-4120 to 4123
   Fax: 505-266-4143/4125

* *CABEI is closed to new projects in the public sector/Government of Nicaragua.*

Mexico

1) **Banca Serfin, S.A.**
2) US$20 million
3) 5 years
4) Mr. José Carrassó Arnaiz
   Vice-President, International Division
   Tel.: 525-512-1009
   Fax: 525-625-5613
5) Mrs. Paloma Healey
   Tel.: 416-360-8900
   Fax: 416-360-1760

1) **Bancomer, S.A.**
2) US$75 million
3) 5 to 8 years
4) Ms. Cecilia Sáenz y Sáenz
   Vice-President, Import Financing
   Tel.: 525-621-3861/3491
   Fax: 525-621-4758

1) **Banco Nacional de Comercio Exterior, S.N.C. (Bancomext)**
2) US$125 million
3) 5 to 10 years
4) Ms. Rosa María Solís, Vice-President
   International Banking, North America
   Tel.: 525-481-6051
   Fax: 525-481-6077
5) Mr. Marco Espinosa
   Trade Commissioner of Mexico (Toronto)
   Tel.: 416-867-9292
   Fax: 416-867-1847

1) **Banco Nacional de México, S.A. (Banamex)**
2) US$125 million
3) 5 to 10 years
4) Ms. Carmen Trujillo, Comercio Exterior
   Tel.: 525-720-7065
   Fax: 525-720-7315

1) **Banco Nacional de Obras y Servicios Públicos, S.N.C. (Banobras)**
2) US$20 million
3) 5 to 8 years
4) Lic. Abelardo Bravo Herrera, Gerente
   Operaciones Bancarias Internacionales
   Tel.: 525-723-6000
   Fax: 525-723-6235

1) **Comisión Federal de Electricidad (CFE)**
2) US$30 million
3) 5 to 8 years
4) Mr. Agustín Izquierdo
   Head, Credit Operations Department
   Tel.: 525-286-6859
   Fax: 525-286-1456

1) **Grupo Minero México, S.A. de C.V.**
2) US$75 million
3) 5 years
4) Ing. Genaro Guerrero Diaz
   Tel.: 525-564-7066
   Fax: 525-574-8056

1) **Hylsa, S.A. de C.V.**
2) US$20 million
3) 5 years
4) Mr. Manuel Moguel, Treasury
   Tel.: 528-328-1220
   Fax: 528-328-1885

1) **Nacional Financiera, S.N.C. (Nafin)**
2) US$28 million
3) 5 to 8 years
4) Mr. Jorge Muñoz Cuevas
   Manager Bilateral Financing
   Tel.: 525-325-7022/7023
   Fax: 525-325-6496

1) **Petroleos Mexicanos (Pemex)**
2) US$50 million (under negotiation)
3) 5 to 10 years
4) Ing. Eduardo Ito
   Deputy Manager, Trade Finance
   Tel.: 525-250-6478
   Fax: 525-254-1896
5) Mr. Alan Rivers, Vice President and
   Treasurer, Integrated Trade Systems
   Tel.: 713-430-3240
   Fax: 713-430-3312

1) **Teléfonos de México, S.A. de C.V. (Telmex)**
2) US$35 million
3) 3 to 7 years
4) Mr. Gustavo León Méndez, Treasury
   Tel.: 525-222-1153/1154
   Fax: 525-203-5972

Peru

1) **Banco Wiese Ltdo.**
2) US$15 million
3) 2 to 5 years
4) Mr. Eduardo Lizarzaburu Cuba
Financing Intermediation Division
Tel.: 511-428-6000
Fax: 511-426-9414
Mr. Javier Román
Tel.: 511-426-6231
Fax: 511-428-3163

Trinidad & Tobago

1) **Central Bank of Trinidad & Tobago**
2) US$15 million
3) up to 8.5 years
4) Ms. Cara Mae Farmer
Manager, Banking Operations
Tel.: 868-625-4835/623-4715
Fax: 868-625-2468

Venezuela

1) **BARIVEN, S.A./Petróleos de Venezuela, S.A. (PDVSA)**
2) US$50 million
3) 2 to 8.5 years
4) Mr. Jesus Bello
Finance Manager
BARIVEN, S.A. (Caracas)
Tel.: 582-201-4761
Fax: 582-201-4605
5) Mr. Philip Lemon
Trade Financial Analyst
PDVSA Services, Inc. (Houston, Texas)
Tel.: 281-588-6400
Fax: 281-588-6287

Africa & Middle East

Algeria

1) **Banque Algérienne de Développement (BAD)**
2) US$100 million
3) 3 or 5 years
4) Mr. Saddek Alilat, Director
Tel.: 213-2-677-583/4/5
Fax: 213-2-674-241

1) **Sonatrach**
2) US$70 million
3) 3 or 5 years
4) Mr. Mohamed Kerkebane, Director
Tel.: 213-2-746-272/209
Fax: 213-2-746-256

Ghana

1) **Ministry of Finance and Economic Planning**
2) US$20 million
3) up to 10 years
4) Ms. Agnes M. Batsa
Economic Planning Division
Tel.: 233-21-665-608
Fax: 233-21-667-069

Israel

1) **Bank Hapoalim B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Yona Rosenberg
Foreign Trade Department
Tel.: 972-3-567-3424
Fax: 972-3-567-4548

1) **Bank Leumi Le-Israel B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Liorah Tidhar, First Vice-President
Trade & Project Finance
Tel.: 972-3-514-7373
Fax: 972-3-514-7865

1) **United Mizrahi Bank Limited**
2) US$10 million
3) 3, 5 or 7 years
4) Mr. Chana Chefer
Foreign Trade Department
Tel.: 972-3-567-9011
Fax: 972-3-567-9028

Lebanon

1) **Credit Libanais SAL**
2) US$10 million
3) 3 to 8.5 years
4) Mr. George Khouri
Tel.: 961-158-2390
Fax: 961-160-2615

South Africa

1) **First National Bank of Southern Africa Limited/Rand Merchant Bank**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Willie Coetzee
International Project Finance
Tel.: 2711-282-8369
Fax: 2711-282-8318

1) **Impofin (Pty) Limited**
2) US$15 million
3) 3 to 8.5 years
4) Mr. Leon Potgieter, Deputy General Manager, Industrial Development Corporation of South Africa Ltd.
Tel.: 2711-269-3266
Fax: 2711-269-3121

1) **Nedcor Bank Ltd.**
2) US$10 million
3) 3 to 8.5 years
4) Mr. David N. Fienberg, Head
International Finance Unit
Tel.: 2711-630-7444
Fax: 2711-630-7146

1) **The Standard Bank of South Africa Limited**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Gerald Nolan
Senior Manager, International Finance
Tel.: 2711-636-5062
Fax: 2711-636-3181

Tunisia

1) **Ministry of International Cooperation and Foreign Investment**
2) US equivalent of Cdn$100 million
3) up to 10 years
4) Mr. Abdelhamid Bouhawala
Tel.: 216-1-798-522
Fax: 216-1-799-069

Europe

Ukraine

1) **State Export Import Bank of Ukraine**
2) Cdn$20 million
3) 3 to 10 years
4) Ms. Tetyana M. Kutuzova
Head of Department
Tel.: 380-44-247-8925/26
Fax: 380-44-247-8928/8082
Telex: 131258 RICA

Asia & Pacific

China, People's Republic of

1) **Bank of China**
2) US$200 million or its equivalent in Cdn. or other acceptable foreign currencies
3) up to 10 years
4) Ms. Wen Bin, Project Manager
Credit Business Department
Tel.: 86-10-6834-7518
Fax: 86-10-6834-2111

1) **Bank of Communications**
2) US$25 million
3) up to 10 years
4) Ms. Liu Ganghua
Credit Department
Tel.: 86-21-6275-1234 (ext. 1941)
Fax: 86-21-6275-6224

1) **China Construction Bank**
(previously People's Construction Bank of China)
2) US$100 million
3) up to 10 years
4) Mr. Yu Hui, Project Manager
Project Finance Division
Tel.: 86-10-6759-8555
Fax: 86-10-6759-8549

1) **Industrial and Commercial Bank of China**
2) US$25 million
3) up to 10 years
4) Ms. Qin Lei
International Finance Division
International Department
Tel.: 86-10-6610-6022
Fax: 86-10-6610-6038

Indonesia

1) **P.T. Indah Kiat Pulp & Paper Corp.**
2) US$25 million
3) 3 to 10 years
4) Mr. Ronny Kurniawan, General Manager
Export Credit Finance
Tel.: 62-21-392-9266
Fax: 62-21-392-8875

1) **P.T. Pabrik Kertas Tjiwi Kimia**
2) US$10 million
3) 3 to 10 years
4) Mr. Ronny Kurniawan, General Manager
Export Credit Finance
Tel.: 62-21-392-9266
Fax: 62-21-392-8875

Contacts

EDC SEE

Head Office
151 O'Connor
Ottawa, Canada
K1A 1K3

Tel.: (613) 598-2500
Telex: 053-4136
Fax: (613) 237-2690
Internet: http://www.edc.ca

Smaller exporters — companies with annual export sales of up to $1 million — can contact our team of specialists at

1-800-850-9626

If your export sales exceed $1 million annually, call any one of EDC's regional offices at

1-888-332-3777

Western Canada

Jim Christie
Regional Vice-President
chriji@cgy.edc.ca

Vancouver Office
Suite 1030
505 Burrard Street
Vancouver, British Columbia
V7X 1M5
Tel.: (604) 666-6234
Fax: (604) 666-7550

Ray Johnson
Business Development Manager
johnra@vcr.edc.ca

Winnipeg Office
Commodity Exchange Tower
Suite 2075
360 Main Street
Winnipeg, Manitoba
R3C 3Z3
Tel.: (204) 983-5114
Fax: (204) 984-0163

Lewis Megaw
Business Development Manager
megale@wpg.edc.ca

Calgary Office
Home Oil Tower
Suite 606
324-8th Avenue S.W.
Calgary, Alberta
T2P 2Z2
Tel.: (403) 292-6898
Fax: (403) 292-6902

Bruce Stanton
Business Development Manager
stanbr@cgy.edc.ca

Edmonton Office
Suite 905
10010-106th Street
Edmonton, Alberta
T5J 3L8
Tel.: (780) 495-2286
Fax: (780) 495-2346

Karen Goss
Business Development Manager
gosska@edc1.edc.ca

Ontario

Ruth Fothergill
Regional Vice-President
fothru@tor.edc.ca

Toronto Office
Suite 810
150 York Street
P.O. Box 810
Toronto, Ontario
M5H 3S5
Tel.: (416) 973-6211
Fax: (416) 862-1267

David Little
Business Development Manager
littda@tor.edc.ca

Angela Boston
Business Development Manager
bostan@tor.edc.ca

Ottawa Office
151 O'Connor Street
Ottawa, Ontario
K1A 1K3
Tel.: (613) 598-3152
Fax: (613) 598-6858

Hal Miller
Business Development Manager
millha@edc1.edc.ca

London Office
Suite 1512
148 Fullarton Street
London, Ontario
N6A 5P3
Tel.: (519) 645-5828
Fax: (519) 645-5580

Laura Gainer
Business Development Manager
gainla@edc1.edc.ca

Quebec & Atlantic Canada

Henri Souquières
Regional Vice-President
souqhe@mtl.edc.ca

Montreal Office
Suite 4520
800 Victoria Square
P.O. Box 124
Tour de la Bourse
Montreal, Quebec
H4Z 1C3
Tel.: (514) 283-3013
Fax: (514) 878-9891

Harold Riley
Business Development Manager
rileha@mtl.edc.ca

Halifax Office
Purdy's Wharf Tower II
Suite 1410
1969 Upper Water Street
Halifax, Nova Scotia
B3J 3R7
Tel.: (902) 429-0426
Fax: (902) 423-0881

David Surrette
Business Development Manager
surrda@edc1.edc.ca

Moncton Office
International Trade Centre
1045 Main Street
4th Floor, Unit 103
Moncton, New Brunswick
E1C 1H1
Tel.: (506) 851-6066
Fax: (506) 851-6406

Charles Gaudet
Business Development Manager
cgaudet@edc.ca

Other organizations that help exporters

Team Canada Inc • Équipe Canada inc
Export Information Service
1-888-811-1119
www.dfait-maeci.gc.ca

BDC
Business Development Bank of Canada
1-888-463-6232
www.bdc.ca

Canadian Commercial Corporation
1-800-748-8191
www.ccc.ca

Alliance of Manufacturers and Exporters Canada
(613) 238-8888
(416) 798-8000
www.the-alliance.org

NorthStar Trade Finance
1-800-663-9288
www.northstar.ca

Published by Export Development Corporation

Export wise

Fall/October 1999

Mining:
Unearthing a high-tech industry

Asia:
FDI driving Asian economies

Export Wise

Fall/October 1999

From the President
FDI critical to prosperity
3

Inside Track
CAF opens doors in Latin America
4

F&P manufactures win-win situation in Canada
5

E-Commerce
EDC gears up to tackle Y2K
6

Inter.net.working: CAMESE; NRCan; Export Opportunities
7

Focus on Smaller Exporters
Strength in numbers
8

Yukon exporter strikes it rich in Alaska
9

Green product goes global
10

On the Map
Asia: **FDI driving Asian economies**
11

Countries at a glance: China, India, South Korea
17

Economic overview: Asian economies on the upswing
18

Industry Watch
Mining: **Unearthing a high-tech industry**
19

Cubex breaking new ground
22

Cominco building on success
23

EDC Listings
Lines of credit
24

Contacts
27

Export News
(Insert)
- Legislative review results are in
- EDC enhancing MTI products
- News Briefs

Editor Cathy Lynch

Editorial Assistant/Desktop Design
Deborah Chapman

Creative Direction & Production
Mantle & Overall Communications

Film & Printing
The Lowe-Martin Group

Contributors
Cressida Barnabe, Mark Bolger, Deborah Chapman, Ryan Day, Maria Forde, Rod Giles, A. Ian Gillespie, Julie Harrison, Toby Herscovitch, Anis Karim, Linda Kenny, Chantal Lalande, Gord Lovasz, Cathy Lynch, Alison Nankivell, Tim O'Connor, Diana Robinson, Patricia Smith, Brenda Stewart, Judith Whitehead, Blair Wilson and Mark Worrall

Translation
(from Export Wise to Exportateurs avertis)
Maguy Robert and Anne Tanguay

Advisory Board
June Domokos, Todd Evans, Françoise Faverjon-Fortin, Ruth Fothergill, Walt Hutchings, Leslie Kenway, Keith Milloy, Maguy Robert, Kurt Rufelds, Mary Van Buren and Jayne Watson

Export Wise is published four times a year by EDC's Corporate Communications Department.

EDC 151 O'Connor Street
Ottawa, Canada K1A 1K3
Tel.: (613) 598-2500
Fax: (613) 237-2690
Internet: http://www.edc.ca

CPC Agreement No.: 1456571

Export Development Corporation (EDC) is the only Canadian financial institution devoted exclusively to providing trade finance services in support of Canadian exporters and investors in up to 200 countries. Founded in 1944, EDC is a Crown corporation that operates as a commercial financial institution.

The editor welcomes signed letters of comment on articles that appear in **Export Wise** or on events and issues related to the Canadian export industry. Letters may be edited to meet the magazine's style and space requirements.

All dollar amounts indicated in the magazine are in Canadian dollars unless otherwise specified.

Executive Team

Peter Allen
Senior Vice-President & Chief Financial Officer

Rolfe Cooke
Senior Vice-President
Short-Term Financial Services

A. Ian Gillespie
President & Chief Executive Officer

Katherine Payne
Vice-President
Human Resources & Administration

Gilles Ross
Senior Vice-President
Legal Services & Secretariat

Eric Siegel
Executive Vice-President
Medium- & Long-Term Financial Services

Be sure to visit EDC's Web site at http://www.edc.ca

*Ce document existe également en version française sous le titre **Exportateurs avertis**.*

FDI critical to prosperity

A. Ian Gillespie
President and
Chief Executive Officer

Today, "going global" means more than providing products and services to buyers located abroad. While it remains important, exporting alone will not sustain Canadian businesses — nor Canada's economy — over the long haul. To grow Canadian companies, and cement Canada's status as a global player, the path to future prosperity lies in foreign direct investment (FDI).

Why broaden our focus to encompass FDI?

It's true, Canada has successfully capitalized on exports. In fact, we rank number one among industrialized countries in terms of exports as a percentage of GDP. However, investment is growing at twice the rate of export trade, and FDI has emerged as the single most important driver of globalization. FDI includes both what we invest abroad (FDI-out) and what other entities invest in Canada (FDI-in). Relative to other G-7 countries, Canada lags far behind in FDI, a situation we need to change to stay in the game.

FDI-out promotes long-term growth

Traditionally, businesses may have viewed FDI primarily as a method of accessing foreign markets and government incentives. However, FDI offers many additional long-term advantages.

By investing abroad, you are able to locate business functions where they will best serve your global supply network, while providing cost efficiencies. Sales from international production can complement your export sales.

Clearly, many Canadian enterprises are embracing global opportunities, evidenced by the fact that Canada's outward FDI stock has grown by 75 per cent over the past decade. We are now net exporters of FDI — for the first time in our history. However, in an era of globalization, this is not enough. In fact, Canada's global share of FDI-out is actually falling.

Yet, FDI-out is essential to ensuring Canada's competitiveness, which in turn affects us all. By enhancing Canada's presence in foreign markets, it not only contributes to the growth of our economy but also helps protect it against the effects of cyclical downturns.

Contrary to popular myth, investing abroad does not mean lost jobs in Canada. If technology stood still, and traditional jobs endured, this might be the case. In reality, investing abroad can actually help protect existing jobs. By establishing operations offshore that feed global supply chains, Canadians will add more highly skilled, better-paying jobs, increasing productivity and GDP, both of which are critical to wealth creation. Ultimately, by strengthening our economy through outward investment, we will be in a better position to attract more investment into Canada.

Declining FDI-in

While the amount of FDI into Canada has grown, our share of global FDI has declined from 3.5 per cent in 1991 to 2.1 per cent in 1997, and that trend continues.

This is serious cause for concern, because it means Canada is missing out on a wide range of opportunities. Foreign direct investment into Canada creates jobs, enables R&D, supports start-up ventures, and helps build and expand corporations that in turn do business both here and internationally.

When you see what companies like auto parts manufacturer F&P Manufacturing Inc. have brought into Canada, in terms of jobs, wealth, exports and supplier contracts (read more about this on page 5), you can appreciate why attracting FDI should be a priority for Canada.

Canada has earned a global reputation for success in exporting. Let's take it to the next level, with FDI.

A. Ian Gillespie

CAF opens doors in Latin America

by Toby Herscovitch

With its increasing emphasis on private sector projects and regional integration, Venezuela-based Corporación Andina de Fomento (CAF) is a vital pipeline to trade opportunities in Latin America. *Export Wise* caught up with CAF president Enrique García recently in Montreal.

Founded almost 30 years ago, CAF has grown from a small, subregional development bank to become the major lender to the Andean Pact countries (Bolivia, Colombia, Ecuador, Peru and Venezuela), providing more financial support to the private sector than the Inter-American Development Bank and the World Bank combined.

"CAF was one of the first Latin American financial institutions to receive investment-grade ratings from the major agencies," notes García. Furthermore, in recent years, CAF has attracted Brazil, Chile, Jamaica, Mexico, Panama, Paraguay, Trinidad and Tobago as shareholders. "We have become an important bridge between the Andean countries and the rest of Latin America, as well as between the whole region and international capital markets."

Several elements have combined over the past decade to foster CAF's impressive growth. "We defined our mission more clearly, focusing on sustainable development and regional integration, and moved from financing short-term trade to attracting the capital resources for both public and private long-term projects, with a concentration on infrastructure," says García.

Today, some of the best opportunities for Canadians in Latin America lie in developing, supplying and servicing infrastructure projects such as gas pipelines, electrical power generation, telecommunications, roads and rail.

Furthermore, the continuing privatization of utilities and other industries in the region opens them up to more trade and foreign investment. "Multilateral financial institutions have a critical catalytic role to play in this development," notes García. "Our cooperation with EDC has been an important source of multilateral funding in the Andean region."

Throughout the Asian financial crisis, and the aftermath in Latin America, CAF had greater access to the capital markets than any other financial institution in the Andean region. Between 1994 and 1998, CAF disbursed some $11.2 billion in loans. Like EDC, CAF's support goes beyond financial disbursements to assistance in loan structuring and advice on the economic realities of the region.

"This year will be one of adjustment for Latin America, with improvements expected in 2000," predicts García. "By 2001, we are very optimistic that the region's remarkable reforms towards privatization, greater transparency in government and more open economies will lead to competitive advantage for all firms operating in Latin America."

Photo: © Réjean Melo

EDC representatives (left to right) Michael McLean, Eric Siegel and Claudio Escobar met with CAF president Enrique García (far right) in Montreal recently.

Helping create opportunities for Canadians

For more than a decade, EDC has had a close working relationship with CAF. In practical terms, this translates to a US$70 million line of credit (LOC), which CAF's Andean clients have tapped to buy Canadian goods and services valued at some US$31 million, so far. These funds have supported telephone switching systems in Colombia, engineering services for a resin plant in Venezuela, and an airport security system in Bolivia, among other deals.

EDC recently disbursed to CAF the remaining value of its LOC — close to US$40 million — in an arrangement that encourages more rapid use of these funds to finance purchases from Canada. For more information, contact David Goldfield, (613) 598-2951 or Doug Ward, (613) 598-2847.

F&P manufactures win-win situation in Canada

by Patricia Smith

Foreign direct investment (FDI) into Canada is fundamental to retaining our footing in international markets, and companies like F&P Manufacturing are leading the way for others to follow suit. Not only does F&P realize numerous advantages, such as cost efficiencies, access to a skilled work force, and proximity to major markets, but also the pay-off for Canada is significant.

While many Japanese firms supplying the U.S. market locate in the United States, F&P Manufacturing made the decision 11 years ago to locate its production here in Canada. What motivated the company to invest in Canada instead? According to Kohachiro Suzuki, the Managing Director of F&P, the company found Canada offered a favourable environment, qualified work force, competitive advantage because of the weakened Canadian dollar, and favourable import duty on parts and equipment.

Attracting FDI into Canada creates a win-win situation, since the benefits to the Canadian economy are equally compelling. FDI-in feeds global supply chains, provides Canadians with more highly skilled, better paying jobs, and increases productivity and GDP, both of which are critical to wealth creation.

F&P currently has about 15 Canadian firms supplying component parts and raw materials, thereby supporting jobs and growth for Canadian companies, including many small businesses. Its products contain almost 100 per cent North American content (e.g. steel, labour, materials), of which approximately 70 per cent is Canadian. The company also opened an R&D centre in Canada in 1997.

A natural fit

When EDC approached F&P in 1997 to help sell its high-quality automobile suspension parts (e.g. engine cradles, beams, trailing arms, pedals) to Honda's North American auto plants, the Japanese company had been in Canada for 10 years. A partnership with EDC was a natural fit since F&P exports most of its products: more than 70 per cent of its manufactured parts are exported to the United States, and 80 per cent of the remaining parts are used in finished automobiles being exported to the United States.

"EDC is innovative in developing solutions for us," says Suzuki. "It is encouraging to companies like us, which must outlay large amounts of money every four years when each car model undergoes full design change, to know EDC is working to ease the financial burden."

"Using its tooling loan facility, EDC provided $20 million in buyer finance in 1998 alone for the retooling of two U.S. facilities producing the Honda Accord and the new Odyssey mini van. This improved F&P's cash flow, enabling it to pay its suppliers on time and expand its production capacity," says Shawn Cusick, Financial Services Manager on EDC's Automotive Team. "EDC was able to structure a deal that worked for both buyer and exporter," adds Cusick, "and we're now offering the same solution to other automotive suppliers."

F&P's ability to bridge its financing gap through EDC has been a significant factor in its recent growth. In the past two years, the company's sales have grown by 15 per cent, reaching $240 million in 1998-99, and its work force has increased as well. In addition to the obvious benefits to the company, there is a pay-off for Canada as well. F&P is exporting Canadian hydro-forming technology back to Japan and around the world to supply a global product mandate for the Honda Civic. Notes Suzuki, "We are proud to be supporting Canadian interests."

EDC gears up to tackle Y2K

by Gord Lovasz

As we count down to December 31, 1999, no company can be 100 per cent certain how the year 2000 computer problem (Y2K) will affect its operations. However, those who have taken prudent steps to prepare for Y2K can be more confident since they have minimized their risks. For our part, EDC is striving to ensure that Y2K does not affect our business operations or jeopardize service to customers.

EDC began preparing for Y2K in 1996, starting off with a survey for Y2K readiness of all computer systems, processes and other technology. Today, we are up-to-date with our internal technological inventory and our remediation, and we're striving to ensure our facilities will operate normally during the Y2K critical period.

However, EDC recognizes it is important to maintain its current state of remediation, and we will continue to monitor our status on an ongoing basis. The Corporation has planned additional systems testing to be undertaken during the Y2K critical period. This testing will include shutting down all date-sensitive systems on December 31, 1999 and re-starting them on January 1, 2000. Our systems will be restored in stages so, if problems are encountered, identifying them will be easier. User-acceptance testing of all major systems will be done on January 2, 2000, with the objective of being fully operational on January 4 and able to carry out business as usual.

Beyond technology

In addition to the technological risks, EDC understands the business implications of potential Y2K disruption. Working groups within EDC are determining the Y2K readiness of our key business partners, and assessing the potential risks that depend on factors such as general industry and country preparedness. In conjunction with external consultants who have significant experience in the development and implementation of enterprise-wide frameworks and contingency plans in financial institutions, EDC has developed comprehensive risk mitigation strategies and contingency plans. These strategies and plans will assist our management in handling potential disruptions, plus expected and unexpected problems, and will enable the adoption of best practices.

It is important to note that Y2K will have a global impact, and it is likely that financial uncertainties may occur. EDC has anticipated these possibilities and has policies and plans in place to mitigate these risks.

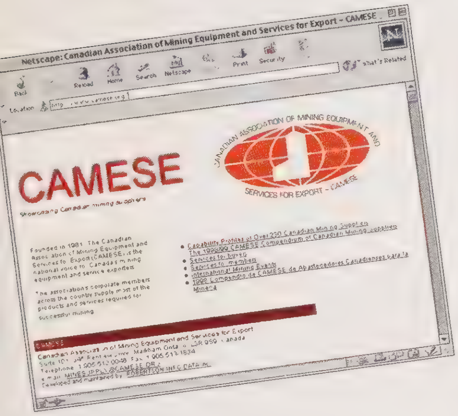
Despite EDC's efforts, there is still uncertainty surrounding third-party readiness, and the pervasive nature of the problem means we cannot guarantee Y2K will not materially and adversely affect EDC's ability to conduct normal business operations. However, we are doing everything within our power to minimize these effects.

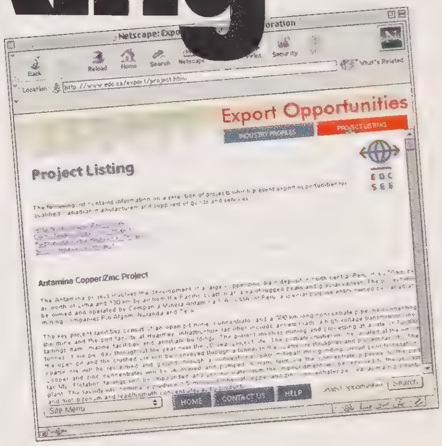
Gord Lovasz is EDC's Y2K Project Manager. He can be reached at (613) 598-3071 or by e-mail at glovasz@edc-see.ca

To tie in with the industry feature on mining in this issue (see page 19), here are profiles of related Web sites published by CAMESE and Natural Resources Canada. We're also introducing EDC's new Export Opportunities site, which is relevant to all industry sectors.

inter.net.working

by Linda Kenny





Canadian Association of Mining Equipment and Services for Export (CAMESE) (www.camese.org)

A national organization, CAMESE provides Canada's mining equipment and service exporters with a buyer-focused, bilingual (English and Spanish) Web site. The site showcases more than 200 active Canadian mining suppliers of goods and services, listed by subsector and product type, and also provides information on 100 annual mining events, including conventions, conferences, symposia and exhibitions.

For networking purposes, CAMESE offers an e-mail contact directory of its members, and will run request or inquiry broadcasts via its weekly bulletin free of charge.

Natural Resources Canada (NRCan) (www.nrcan.gc.ca)

Natural Resources Canada's Web site provides information on the latest economic, environmental and scientific information pertaining to Canada's land and resources, and includes reference materials such as databases, publications and maps. In addition, the Web site keeps Canadian exporters informed about federal policies and regulations pertaining to issues on the environment, trade and the economy. Although it is large, the NRCan site is easy to navigate, and provides a very clear path to its directory of national contacts.

Export Development Corporation, Export Opportunities (www.edc.ca)

New!

Foreign buyers and Canadian suppliers of goods and services can now tap into the global marketplace by visiting the Export Opportunities section of EDC's Web site, which includes industry profiles and project information. Under industry profiles, the site lists Canadian industry sector capabilities, aimed at potential foreign buyers of Canadian goods and services. The project information section provides a selected list of foreign projects and key procurement contacts, targeted at Canadian suppliers to foreign projects.

Linda Kenny is EDC's in-house Web specialist, responsible for EDC's Web site (www.edc.ca).

Strength in numbers

by Cressida Barnabe

Women-owned businesses are exporting in increasing numbers, and the opportunities to network and learn from others' experiences are keeping pace. Muttluks founder Marianne Bertrand illustrates how trade initiatives for women can help provide the information and support they need to go global.

Frustration turned into inspiration for Marianne Bertrand when, in 1994, she received an ineffective pair of dog boots for her Basset hounds. Building on the reputation of the legendary Inuit sealskin boot known as a mukluk, she founded Muttluks, a company devoted to making high-quality fleece and all-weather boots that provide dogs with the protection they need to keep their paws healthy and warm – something she had wanted for her dogs. Now, five years later, she expects the company's sales to at least double, with exports accounting for 60 per cent.

In November 1997, Bertrand was one of 125 women chosen to participate in the first women's trade mission held in Washington. During the mission, EDC hosted a workshop on its services and, as an incentive, offered a $500 gift certificate to cover the processing fee for an export credit insurance policy to the first person who could explain the benefits of having EDC's credit insurance coverage.

Marianne Bertrand won that certificate. "I'm a very small business and that certificate made a big difference. I knew there were risks involved with exporting, but there are considerably more than I thought," explains Bertrand, discussing lessons learned in Washington. "If I hadn't gone on the mission and attended EDC's presentation, I might not have gone to EDC right away. But when I clearly saw the risks I was taking, and the fact that they were unnecessary, I realized the importance of protecting my business."

Marianne Bertrand has been an EDC customer since then, and credits EDC with giving her peace of mind when working with her customers. "I work with some big companies and I need to know that I'm protected if they go out of business. I know that EDC is doing credit checks on my buyers, both domestically and in the United States, and having insurance in place lowers my risks."

As a follow-up to the trade mission to Washington, businesswomen from Canada and the United States met in Toronto for a week-long summit in May 1999. Once again, Bertrand was at EDC's workshop, but this time she was there to share her experiences of working with EDC. "I am always trying to learn new ways to manage risk and, if I can share with other exporters what I have learned, I'm happy to do it. The summit gives women a chance to network with people who are doing the same thing and resolving the same problems."

"We were thrilled when Marianne agreed to speak at our workshop in Toronto," says Linda Conway, Director of EDC's Emerging Exporters Team. "She was able to give other exporters a first-hand account of being an EDC customer, and explain how having our credit insurance coverage in place has minimized her business risks."

Upcoming trade initiatives for women

September 1999
"Respecting Cultural Diversity: Strategies for Women Entrepreneurs"
Cross-Canada series of interactive breakfast sessions to arm businesswomen with the intercultural tools they need to succeed in today's ever-changing global market, sponsored by EDC.

May 2000
Women Going Global
A module in the FITT training tailored for women-owned businesses entering the export market, sponsored by EDC.

Yukon exporter strikes it rich in Alaska

by Blair Wilson

Career Industries Ltd. is a small Yukon company whose formula for success includes careful planning and forming key partnerships at home and in Alaska — its target export market.

The company is an industrial wood manufacturer producing a diverse line of "rough wood" products. Based in Whitehorse, Yukon Territory, Career is owned by "Challenge", a non-profit organization whose mandate is to create employment opportunities for people with disabilities. Career employs up to 15 full-time production workers who are considered "employment disadvantaged", and operates on a commercially self-sustaining basis.

Established in 1990, Career's initial focus was outdoor furniture to sell locally. Growth was catalyzed by marketing products to the mining industry, first in British Columbia and the Yukon, then to customers in Alaska.

"The mining industry has proven to be our mainstay for growth," says Rick Mombourquette, company Manager. "After a little market research, we determined that there were a few products we could manufacture cost-effectively in Whitehorse. Core sample boxes have proven to be our leading revenue generator. These long wooden boxes are divided lengthwise into sections and used to store mining exploration samples called core sections."

According to Jon Breen, Career's Executive Director, "In the Yukon, our boxes have achieved about 90 per cent market penetration. However, with the current downturn in mining exploration here, we had no choice but to look for export opportunities in Alaska."

Photo: Blair Wilson

Workers at Career Industries manufacture core sample boxes sold in British Columbia, the Yukon and Alaska.

They first attended a mining trade show in Fairbanks, Alaska. "We talked about not feeling discouraged if we didn't get any orders on the first trip, but Rick came back with a fistful," recalls Breen. "The technical talks at the trade show provided useful insights regarding modifications to Career's design which would make them acceptable in the Alaska market," adds Mombourquette. "As a bonus, I met and signed a distribution agreement with a large U.S. mining supplier at the show."

"We didn't kid ourselves about being experts on exporting," says Breen. "We undertook to get the best advice available to ensure that we had all of our bases covered." Career's banker, Monty Ross from TD Bank, recommended they secure Export Credit Insurance through EDC. "Though Career is very much commercially driven, the board of directors of our 'non-profit' parent, Challenge, required that payment risks be minimized to preserve the funding invested in the company. The EDC policy covers us for 90 per cent of the loss if an export buyer doesn't pay," Breen explains.

"Our experience with EDC has been really positive," adds Breen. "The EDC policy was put into place quickly, with a minimum of paper-work, through a toll-free call to EDC's Emerging Exporters Team. We are proud of the fact that we are among a handful of EDC customers in the Yukon."

Breen and Mombourquette advise any small company considering exporting to get relevant professional advice and to consider forming partnerships with key players on both sides of the border. This approach paid off for Career: 60 per cent of its core box sales now go to Alaska.

Smaller exporters can contact EDC's team of specialists at 1-800-850-9626.

Green product goes global

by Tim O'Connor

Cryo-Line Supplies Inc. is making its exporting debut this year with a US$458,000 sale to the Government of Malaysia. Not bad, for a three-year-old company that employs five people.

"This is our very first export contract ever, and it will represent about 30 per cent of our total business volume this year," says John McIsaac, Vice-President of Cryo-Line. "Now that we are a little more export savvy, we expect to do more business in foreign markets. The volume of this deal certainly demonstrates the benefit of exporting."

The deal was facilitated by a grant to the Malaysian government from the World Bank's Ozone Trust Fund. The Ozone Trust Fund was set up in 1997 under the Montreal Protocol, which is an international agreement to reduce environmentally damaging emissions.

Under the Ozone Trust Fund, emerging markets can qualify for grants to upgrade their environmental standards to meet those of developed markets.

Right product, right timing

Cryo-Line manufactures and distributes a unique system that captures and contains refrigerants such as chlorofluorocarbons (CFCs), hydro chlorofluorocarbons (HCFCs) and hydrofluorocarbons (HFCs). These refrigerants can, from time to time, be vented to the atmosphere from comfort cooling systems. The view taken by the Montreal Protocol is that these emissions are damaging to the Earth's atmosphere.

The Cryo-Line system is an economical and environmentally friendly alternative to completely replacing CFC- and HFC-using units. It recovers the emissions from existing refrigeration units using a molecular sieve and stores them in patented containers, then these containers are sent back to Cryo-Line. Cryo-Line removes the refrigerant and has it condensed into a liquid, then sends it for final processing to be converted back into a refrigerant that can be reused. The only other way to reduce CFC and HFC emissions is to replace all refrigeration units that use these ozone-depleting chemicals — an expensive proposition.

Cryo-Line is in an enviable position. "We are the only company in the world that does this," says McIsaac. "We have exclusive rights to the technology so, as more emerging markets look to meet Montreal Protocol standards, we stand to grow enormously. In fact, we opened our first U.S. office earlier this year."

While it appears to have been smooth sailing for Cryo-Line, McIsaac says they had a learning curve, as well as many other difficulties, to overcome before winning the contract. "We went after this contract pretty blind. Luckily, EDC was very helpful in directing us through the process and in helping us understand what we were facing. EDC's know-how about export contracts was very beneficial to us," he says.

"One obstacle was that the contract required a performance guarantee. However, because Cryo-Line was still a young and emerging company, our bank was reticent to provide the guarantee," says McIsaac.

So, Cryo-Line approached EDC. "EDC looked at the deal and said, 'Don't worry, we'll insure the contract for you.' With EDC insurance in place, the bank was ready to provide the proper documentation," says McIsaac. "Without EDC, I doubt we would have gotten the contract. Its knowledge of how the World Bank and export contracts work was very beneficial to Cryo-Line."

For more information on Cryo-Line's products and services, contact John McIsaac or Murray Weightman at (905) 608-2919, or by e-mail at cryoline@cryo-line.on.ca

FDI driving Asian economies

by Mark Bolger, Anis Karim and Alison Nankivell

While each country in the Asian region is unique, with its own individual issues and challenges, they all share a common goal of spurring economic recovery, in part by inducing foreign direct investment. The pace of reform is proceeding at varying rates in each market but, overall, the movement to encourage FDI is presenting some interesting opportunities for well-informed and cautious investors.

Photo: Anis Karim

As a target for foreign direct investment (FDI), many countries within Asia have generated significant interest among investor communities. Not only is the legal framework in most of these markets strong and evolving to become more investor-friendly, but also business fundamentals are solid, creating a favourable environment for FDI.

Specific business fundamentals include the presence of significant private sector players; active bourses and financial sectors; a large consumer base; the potential to establish a beachhead for regional diversification; a strong local pool of technical skills; established commercial business practices; and matching of sectoral opportunities with Canadian expertise.

While China has attracted FDI for some years now, it is only in recent years that FDI activities in other parts of the region have increased substantially. This is partly because foreign companies are now realizing that equity participation is a powerful tool to gain access to Asian markets. When selecting a foreign supplier, most local partners look not only for competitive offers for goods and services, but also for transfer of technology and skills into the operational areas of their business. More often than not, EDC is requested by Asian companies to help find suitable partners for their ventures, and they frequently state a preference for partners who can bring equity into the project.

China
Leading the way in FDI

While much of Southeast Asia is only beginning to embrace FDI, China has been welcoming foreign investors into a broad range of industrial sectors since 1979 when the country's policy of reform and opening was launched.

Key laws defining permitted forms of foreign investment in China, such as the Equity Joint Venture Law (1979), Wholly Foreign-Owned Enterprise Law (1986) and Cooperative Joint Venture Law (1988), are not only well-entrenched but also have been fine-tuned in response to foreign investor concerns. As a result, foreign investment law remains one of more clearly defined areas of China's regulatory system.

The Chinese government's active encouragement of FDI is in striking contrast to its sharply restrictive attitude toward short-term capital inflows and portfolio inflows. While China views short-term foreign loans and foreign portfolio investment as potentially destabilizing to its domestic economy, it regards FDI as both a source of employment for its massive population and a means of accelerating its modernization drive.

FDI has had a major impact on China's economy. While FDI accounted for only five per cent of the country's GDP between 1994 and 1998, FDI-related industry generated close to 41 per cent of China's exports and foreign exchange reserves during the same time period.

Now, after almost two decades of accelerating FDI inflows, it appears the pace of FDI has peaked and that foreign investors are facing a new set of challenges to succeed in the China marketplace. In the first four months of 1999, China's FDI inflow was US$10.2 billion, 13 per cent lower than the same period in 1998. Most analysts are predicting a 1999 full-year figure of US$30 to US$35 billion, down sharply from US$45.5 billion in 1998.

There is speculation that China's decline in FDI is the result of disenchanted foreign companies pulling out after years of lacklustre

or negative returns on their China investments. A 1998 survey of foreign-invested firms in China, conducted by management consultancy firm A.T. Kearney, found that some 22 per cent of the multinationals surveyed ceased operations in China primarily because the ventures were unprofitable. Many may have underestimated the ability of Chinese companies to match the production and marketing skill of foreign competitors on their home turf. The recent slowdown in China's economy (particularly in personal consumption) may have also affected investors' profitability.

Despite the added challenges, serious foreign investors understand that China requires patience and a long-term view of the market. China's current slowdown in FDI underlines a more mature stage in the country's economic development. However, strategic foreign investment can still yield results: while foreign inflows from Asian countries (particularly Taiwan and Hong Kong) fell sharply in the first four months of 1999, FDI from the United States into China increased 13.7 per cent to US$1.88 billion during the same period.

Given that as much as half of the foreign investment arriving from Hong Kong is estimated to be domestic investment disguised as foreign investment (a practice undertaken so that Chinese investors can obtain preferential tax breaks normally reserved for foreign investors), it appears that much of the decline in Asian direct investment into China is also the result of Chinese authorities cracking down on this form of tax evasion rather than a genuine change in investor sentiment.

Another recent trend which is masking foreign investment flows is the growing popularity among foreign investors of buying into existing joint ventures rather than initiating greenfield projects. As existing projects, these sales of ownership do not show up in FDI statistics, thereby distorting investment numbers.

With many sectors of China's economy currently showing signs of excess capacity, such as power, telecommunications equipment and automobiles, foreign companies need to conduct detailed market feasibility studies before committing significant amounts of capital to investment projects in China. Once committed to an operating venture, foreign companies must keep on top of changing market tastes and the potential entrance of new foreign and domestic competitors, to avoid erosion of hard-won market share.

Other critical factors include developing local management, retaining experienced foreign management, and maintaining a strong relationship with one's Chinese partner in a joint venture.

Despite the current economic slowdown, new market opportunities continue to unfold in China in response to government policy priorities (e.g. environmental technologies) and consumer tastes (e.g. home decorating products). Foreign firms monitoring these trends must continue to weigh whether to meet market demands through export sales, cooperative or technological exchange with a Chinese company, or full-scale investment in China. While operating an investment in China is an excellent training ground for testing a firm's competitiveness anywhere in the world, it remains an expensive and prolonged process. Investors must have the resources and the commitment to carry the investment through the ups and downs of the business cycle.

China regards FDI as both a source of employment for its massive population and a means of accelerating its modernization drive.

South Asia

Strong FDI potential in India

India presents Canadian businesses with great potential for FDI. There is a very good match between investment sectors in India and inherent Canadian strengths. Also, India's vibrant private sector offers good opportunities for Canadian firms seeking long-term footholds in the market. The massive market size of India and neighbouring countries presents enormous domestic business potential to Canadian companies as well as the prospect for exporting out of the region to the other parts of the world. Recent joint ventures

small amount of investment is required to generate a greater future potential for business. Although India has the potential to attract FDI in similar magnitudes as China, that potential has yet to be fully tapped, with FDI amounting to only about US$4.5 billion annually. However, in recent months there has been an increase of FDI into the country, and clearance rates for such investments have increased significantly. India is already attracting larger companies from the United States and Europe. Nevertheless, its current, relatively low level of FDI means there are still opportunities for Canadian firms to participate, and perhaps open the avenues for lucrative export opportunities.

between foreign companies and local public sector entities have demonstrated success.

Investments in power, telecommunications, mining, steel, pulp and paper, oil and gas, automotive, agri-food, information technology and insurance abound. Many of these sectors have large, world-class private sector players who are already in the process of expansion or modernization. The advent of private power and telecommunications frameworks has opened doors to foreign players in these fields, and captive mining represents good opportunities for Canadians. A number of Indian entities have already established relationships with major international companies in many of these fields.

While investors have found that often the gearing ratio for export to investment has been high, many investors have also discovered that penetration without FDI has become a major challenge in India. Often a

FDI new to Bangladesh

FDI in Bangladesh is a very recent phenomenon. The discovery of large natural gas deposits and the opening up of power and telecommunications sectors for private sector participation have drawn the attention and investment of many multinationals in these fields. In keeping with its policy of increasing FDI, the government has offered attractive incentives to foreign companies for participation in the development of the oil and gas sector. Opportunities in developing gas fields and building pipelines, fractionation plants and liquid petroleum gas facilities present major targets for FDI in Bangladesh. Participation in developing private power plants, transmission and distribution systems, and private sector telecommunications ventures also represent good opportunities for Canadian investors and exporters.

Investors are finding the competitive environment more favourable in Bangladesh than in many other countries within the region, partly because Bangladesh is at an early stage of attracting FDI. So far, many FDI transactions have been concluded with public sector units because, unlike India, the availability of large private sector partners is limited in Bangladesh.

The business potential and investment to export ratio in Bangladesh remain attractive. Fundamentals for FDI also remain favourable and Canadian exporters may find concluding an FDI transaction in Bangladesh relatively faster than elsewhere.

Sri Lanka holding its own

Although it is relatively small in size, Sri Lanka continues to attract major international investors. Its government actively promotes its investment policies and supports FDI in many fields. Opportunities in the power and telecommunications sectors present good potential for Canadian exporters and a number of Canadian companies are already active in these sectors.

Sri Lanka's investment climate continues to offer good fundamentals for FDI, and investment to export ratio remains high. Many large multinationals are attracted to Sri Lanka because of its potential to serve as a hub for business activities in the region, particularly as it has good communication and links with neighbouring countries.

Export news
A Supplement to **Export Wise**

Global Vision selected 42 students from across Canada to participate in this year's Junior Team Canada mission.

JTC mission heads to Southeast Asia

by Tim O'Connor

Forty-two students from across Canada participated in this year's Junior Team Canada (JTC) economic mission to Southeast Asia in August. Students were selected for the mission from among more than 1,200 participants at JTC training centres nationwide earlier this year.

The mission, which mirrored a simultaneous Team Canada mission, included visits to Malaysia, the Philippines and Thailand. It was part of an ongoing program managed by Global Vision, a group of Canadian business, government and academic leaders, founded in 1991 to help young Canadians prepare for careers in the global marketplace.

"With more than one in three Canadian jobs dependent upon export-related activity, it is important that youth understand what it takes to compete in the international arena," says Amy Giroux, director of Global Vision.

EDC supports the JTC program, as part of its Education and Youth Employment (EYE) strategy.

For more information about JTC, contact Amy Giroux at (819) 827-2838.

Review endorses EDC's commercial principles

by Julie Harrison

A rigorous and balanced process of investigation and analysis, incorporating stakeholder participation, a professional survey and focus groups, culminated in the tabling of the Report on the Review of the Export Development Act in Parliament on July 21. Selected through a public tendering process, independent law firm Gowling, Strathy & Henderson (Gowlings) developed the Report using an open and transparent public consultation process.

The Gowlings Report strongly endorses EDC's strategic direction, enhancing our ability to provide Canadian exporters and investors with the kind of flexible, leading-edge trade finance solutions that they want and need.

We appreciate our customers' active participation in the consultation process, which was critical to the findings. According to the Report, "The stakeholder consultations which formed an important part of the Review, as well as the focus groups and survey, confirmed that EDC is effectively using its mandate to support Canadian exporters. There is a high level of satisfaction with EDC among exporters, and the approach adopted to facilitate the growth of Canadian exports abroad."

Highlights from the Report include:

- "EDC has developed a unique blend of commercial culture and entrepreneurial enthusiasm tempered with a sense of public service responsibility under its Crown corporation skin."

continued on page 3

"One-stop shopping" in Singapore

The Canada House Business Centre in Singapore is picking up where Trade Commissioner Services now leave off. A revised mandate for Trade Commissioner posts has eliminated services for foreign visitors such as booking hotels or interpreters, and providing other office support such as making appointments. While Trade Commissioners can refer travellers to local agencies for these services, visitors to Singapore have another option; namely, Canada House.

Run by the Canada Singapore Business Association (CSBA), a not-for-profit organization, Canada House provides business support services and office space for a small fee, as well as high-tech services such as Internet access and video conferencing. Canada House is currently developing a Web site which will allow companies to book space and meetings prior to their arrival.

The Canada House Business Centre is located at 7 Amoy Street, #03-03 Canada House, Singapore 049949. You can also contact Canada House via e-mail at cdatanjs@singnet.com.sg or by telephone: +65-325 3218 or fax: +65-325 3294.

EDC's President A. Ian Gillespie (seated) and colleagues visited Canada House on a recent trip to Singapore. Standing (L to R) are: Marvin Hough, EDC; June Domokos, EDC; Linda Mendoza of the CSBA; Robert Simmons, EDC; and Francis Chan from the Canadian High Commission in Singapore.

CEA winners to be announced in October

More than 240 Canadian companies have been nominated by their peers this year for Canada's top honour in the export field, the prestigious Canada Export Awards. A gala awards ceremony and reception will be held in Toronto on Wednesday, October 6 to announce this year's winners.

Canada continues to be one of the world's leading trading nations and the most export-oriented of the G-7 industrialized economies, thanks in part to the more than 3,500 businesses that have competed for the Canada Export Awards, and the 200 companies which have won, during the 17-year history of the program. The Canada Export Awards celebrate the achievements of Canada's top exporters in bringing Canadian products to foreign consumers.

Each year, contenders are chosen by a panel of their peers from across Canada. Criteria include the ability to compete globally, innovative spirit, a dedicated workforce, an appetite for risk, and commitment to excellence. Winners range in size from small to multinational, and represent a broad spectrum of industries such as food processing, transportation equipment, electronics, consulting engineering, consumer products and telecommunications.

Internationally known for their innovative products, A.L.I. Technologies Inc., Canada Allied Diesel Co. Ltd., CrossKeys Systems Corporation, Davis Strait Fisheries Limited, Genesis Microchip Inc., Global Thermoelectric Inc., Northern Digital Inc., Prologic Corporation, Standard Aero, and Vogue Pool Products were all winners of the 1998 Canada Export Awards.

The Canada Export Awards program is managed by the Department of Foreign Affairs and International Trade in close cooperation with the four corporate sponsors: CIBC, Teleglobe, Maclean Hunter Ltd. and EDC. This year, special recognition is also being given to three of the award winners: the CIBC Job Creation Achievement Award, the EDC Smaller Exporter Achievement Award and the Teleglobe Innovation and Technology Award.

Tickets to this year's gala are $100 per person. For tickets or further information, call 1-877-388-3036.

MTI products enhanced

by Jean Cardyn

In our last annual Customer Satisfaction Survey, those of you who use our Medium-Term Insurance (MTI) products suggested improvements could be made in areas such as pricing, product enhancement, customer service and risk appetite. Your comments have not fallen on deaf ears.

In the past year, we have reviewed the pricing on our Bid/Performance Security Insurance programs, introducing significant reductions to our premium rates, in many cases by up to 60 percent. We also introduced a new policy to cover costs incurred during the pre-shipment/pre-credit period and this coverage costs only a fraction of the price of our regular Specific Transaction Insurance policy.

A wide range of customer service improvements have also been introduced. For example, we have established fronting agreements which now enable us to issue surety bonds for small exporters who have limited or no access to commercial surety support in markets such as the United States, Chile and Mexico (presently being completed). We have also streamlined our bonding processes by simplifying our Application form, eliminating the need to obtain separate indemnity agreements and legal opinions as well as streamlining our technical analysis on most bonding transactions.

In terms of risk appetite, we have increased the number of transactions supported by our MTI programs, more exporters are seeking us out the majority of whom are small- and medium-sized companies, and we are now open in more markets than ever before.

The review and improvement of EDC's MTI program continue and your input into the process is important. We therefore encourage you to provide further suggestions and feedback via our Customer Satisfaction survey later this fall.

New Trade Minister appointed

EDC now reports to Parliament through a new Minister for International Trade, the Honourable Pierre S. Pettigrew, P.C., M.P. Appointed Canada's Minister for International Trade on August 3, 1999, he replaces the Honourable Sergio Marchi. Mr. Pettigrew first joined the government in January 1996, as Minister for International Cooperation and Minister responsible for La Francophonie. In October of that year, he was named Minister of Human Resources Development Canada. Mr. Pettigrew was re-elected for a second term as a Member of Parliament in June 1997, representing the new Montreal riding of Papineau – Saint-Denis. Prior to becoming an M.P., Mr. Pettigrew was Vice-President of Samson Bélair Deloitte & Touche International (Montreal) from 1985 to 1995, where he acted as a business consultant to companies with dealings in international markets.

Upcoming EDC seminars

Annual Automotive Seminar

If your company exports or plans to export parts, tools, moulds, equipment and/or supply Tier 1s with tools, equipment or moulds, this seminar will interest you.

When: Wednesday, October 20, 1999
Where: Giovanni Caboto Club
2175 Parent Avenue, Windsor, Ontario

For further information, please contact Lillian Gagnon at 1-888-332-2360.

Annual Agriculture Export Risk Seminar

If your company exports or is considering exporting primary agricultural products, such as soybeans, cattle, corn, swine or fruit, this seminar will interest you.

When: Tuesday, November 2, 1999
Where: Ministry of Agriculture
Food and Rural Affairs Building
1 Stone Road West, Guelph, Ontario

For further information, please contact Lillian Gagnon at 1-888-332-2360.

Review... *continued from page 1*

- "...EDC's advantages are superior service and claims handling. EDC was acknowledged to be fair, prompt and efficient."
- "As noted, EDC's commercial orientation and requirement to be self-sustaining have contributed to the development of a strong, quasi private-sector culture within the Corporation which has fostered excellence, innovation and the desire to maintain an arm's length relationship with government."
- "The Review supports the development of EDC's commercial ethic because we believe this will provide the best service for exporters."

EDC is currently reviewing the specific recommendations made by the reviewer, and parliamentary hearings are expected to occur this fall. A full copy of the Report, as well as updates about the Legislative Review, are posted on our Web site (www.edc.ca).

NEWS BRIEFS

Financing for "Spirit of Columbus" oil platform in Brazil

July 27 — EDC will provide up to US$64.7 million in financing in support of the goods and services for an export contract by Industries Davie of Quebec City, to upgrade an oil drilling production platform for the Brazilian state-owned company Petrobras. Named the Spirit of Columbus, the oil product platform is one of the largest in the world and is being upgraded to increase capacity from 100,000 to 180,000 barrels of oil per day. Upon completion, it will be installed in the Campos Basin off the southeast coast of Brazil.

Exporters moving beyond direct exports

July 1 — Canadian exporters are becoming more innovative in conducting business abroad according to a recent survey conducted by EDC in conjunction with the Angus Reid Group. More than half of the 341 leading exporters surveyed said that they plan to move beyond exporting products and services, to conduct foreign business using a number of vehicles including agents, joint ventures and foreign direct investment. Full results are available on EDC's Web site at www.edc.ca

Support for Canadian mining companies in Peru

June 30 — EDC is providing financing and insurance support to the US$1.32 billion Antamina copper-zinc mine project in Peru. In addition to lending US$135 million to support the sale of goods and services to the project, EDC also acted as political risk insurance arranger/insurer for the US$535 million commercial bank lending facility, most of which is covered by political risk insurance.

U.K./Canada co-op agreement

June 9 — EDC and the U.K.'s Export Credits Guarantee Department have signed a reinsurance and financing agreement, designed to support and promote export transactions involving both U.K. and Canadian companies. Each agency will reinsure the other when either of them is involved in providing insurance, financing or guarantee support for a transaction involving goods and services supplied from both countries. A further goal of the agreement is to increase the number of joint U.K.-Canadian projects in third countries.

Protocol with Uruguayan bank

June 2 — EDC has signed a protocol with Banco Hipotecario del Uruguay to begin negotiating a financing facility to support the sale of Canadian goods and services for the housing sector in Uruguay.

Claims Paid

January 1, 1999 – July 31, 1999

Companies
414

Claims
1056

Cdn $ Total
$82,424,898

Export Markets	Count
Africa & Middle East	11
Asia & Pacific	26
Europe	119
South America	19
U.S.A. & Caribbean	881

Risks	Count
Default	766
Insolvency	247
Call of Bond	9
Repudiation	18
Political and Transfer	13
Termination of Contract	2
Import Permits	1

Payments	Count
Under $5,000	483
Between $5,001 and $100,000	476
Between $100,001 and $1 million	82
Over $1 million	15

Kudos

Congratulations to these customers for winning export-related awards earlier this year.

ATI Technologies Inc., an Ontario-based manufacturer of computer graphics accelerators, was recognized by Ernst & Young as Entrepreneur of the Year. Subsequently, ATI President and co-founder Kwok Yuen (K.Y.) Ho was named one of the top 25 executives in North America by *Business Week*.

Quebec-based **Advantech Advanced Microwave Technologies Inc.** was awarded the 1999 Mercuriades Business Award in the research and development category, by the Quebec Chamber of Commerce. A producer of communication and electronic equipment, Advantech won the award for excellence in financial management, planning and development.

Corma Inc. was recognized as Exporter of the Year by the Vaughan Chamber of Commerce. The Ontario-based producer of specialized equipment for the manufacturing of corrugated plastic pipes realizes 95 per cent of its sales from exports, selling into some 50 international markets.

Asia Pacific

South Korea stepping up FDI

While the countries in Asia Pacific were hardest hit by the financial crisis, many have begun to show signs of recovery in recent months. Among these, South Korea offers the best example of a country remaking itself in the aftermath of crisis and reaping the benefits of market reforms designed to encourage FDI.

Since 1997, Korea has made significant efforts to attract the foreign capital required to rebuild its economy. Constrained from borrowing large funds from abroad, as was done in the past, Korea now recognizes that foreign investment is a more stable means of driving economic growth. The reforms instituted by the Korean government, including a new Foreign Investment Promotion Act, have removed constraints on most foreign ownership in many key industries; opened the financial markets to foreigners, streamlined investment approval processes by the bureaucracy; improved valuation methods for assets; and set up a range of investment incentives.

All this effort seems to have paid off as foreign companies have begun cautious but steady investing in Korea. In 1998, investment reached US$8.9 billion, up 27 per cent from 1997 levels. In the first four months of 1999, FDI levels reached US$2.8 billion, up some 250 per cent from the same period last year. Investment is spread across various industrial sectors such as chemicals, paper, telecommunications, retail, industrial machinery and automobiles.

Foreign companies have looked to bargains in Korea as a means of entering into established supply channels in Asia or developing and consolidating prior relationships. Others have taken the opportunity to buy out previous competitors and expand manufacturing capacity globally. However, the need for caution still remains. Korea's revised outlook on FDI is still relatively new, and mindsets do not change quickly. There is still some public unease with foreigners investing in Korea, so labour unrest may present ongoing challenges, and it remains to be seen if the chaebols are truly willing to give up vast sections of their corporate empires.

Thailand making progress

On the track to recovery, Thailand is usually placed as runner-up after Korea. Although Thailand's Board of Investment expects a three per cent growth in investment volumes in 1999, the country has not seen the same rapid inflow of foreign capital as Korea. Comparatively, it lacks the infrastructure necessary to attract the investment that Korea is enjoying.

Investors remain wary of the lack of transparency and accountability across the public and private sectors in Thailand. Much of the country's ruined financial sector requires extensive recapitalization. Also, key legislation such as foreclosure, bankruptcy and alien business laws are not yet firmly entrenched. While some foreign firms are taking the opportunity to acquire ownership in existing Thai companies suffering near bankruptcy and excess capacity, there have been few investments aimed at establishing new facilities or geared toward expanding technology.

But progress is being made. The Thai government is moving slowly but steadily forward to restore the banking sector, increase transparency and develop the necessary legal structures required to attract foreign investment. For now, most FDI opportunities will remain in the manufacturing sectors where there is abundant over-capacity. Financial services may also offer some promise for foreign banks wanting to establish a regional presence, but the recapitalization costs to repair the Thai banking sector is a daunting expense yet to be paid.

> South Korea offers the best example of a country remaking itself in the aftermath of crisis and reaping the benefits of market reforms designed to encourage FDI.

Other sectors such as energy and telecommunications are too mired down in a battle over the privatization of state-owned monopolies to offer significant opportunities for investors in the next couple of years. The one exception may be oil and gas, where PTT, the state petroleum entity, is to be fast-tracked for privatization.

Malaysia still in flux

As Malaysia moves toward economic recovery this year, FDI is expected to increase about 10 per cent over the 1998 figure of US$2.7 billion. How the Malaysian experience plays out is of particular interest, in light of the currency controls imposed by the government a year ago, which threatened to turn many investors away from the market. Last year, with anti-foreign sentiment on the increase, FDI fell approximately 40 per cent, as investor confidence in the country waned. However, Malaysia's pursuit of its own reform program seems to be generating some economic recovery and attracting at least short-term foreign investment. Still, if the country's political stability remains in question, longer term investment flow will no doubt be affected.

In the first half of this year, Malaysia's major sources of foreign capital have come from the United States, Japan, Taiwan, Singapore and Germany. Investments have focused in the petroleum/petrochemicals, electrical and electronics, chemical, and metal products industries. As Malaysia pursues its goal of growing self-sufficiency, further opportunities for FDI should continue to arise in key sectors designated by the Malaysian government for transfer of technology.

The Philippines open to FDI

Government liberalization and privatization policy initiatives have paved the way for the Philippines to become a promising FDI location; for example, the country's build–operate–transfer (BOT) laws in infrastructure offer a strong framework for new investments.

However, the current government has repeatedly indicated a desire to implement import controls and demonstrated the propensity for uneven application of investment incentives. From the investor community, there have also been allegations of unfair customs practices, resulting in restrictions on trademark usage and the creation of bureaucratic roadblocks against companies wishing to import components for key industries. For potential investors, accountability and inconsistent policy enforcement among government agencies controlling access to the market are points of contention.

In its favour, the Philippines has already reformed its trade, foreign exchange and ownership regulations to encourage more investment. Major industries such as telecommunications and banking are open to foreign ownership, and sectors like power generation, transportation and toll roads, manufacturing, and water treatment and supply are undergoing further liberalization. Plans for large-scale development outside of Manila and the eventual privatization of the National Power Corporation will offer interested investors extensive opportunities.

FDI sliding in Indonesia

Rich in natural resources, Indonesia was traditionally a hot spot for FDI, but internal social and political unrest is causing a slowdown. Last year, FDI levels fell approximately 60 per cent to US$13.6 billion, compared to US$33.8 billion in 1997.

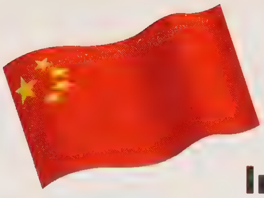
Unease surrounding the 1999 elections, the potential for ethnic violence, and the possibility of rapidly changing investment policies of the government have combined to keep investors at bay. The financial crisis also turned off the tap on other Asian countries' investment plans, historically a main source of FDI for Indonesia.

Recently, the majority of approved projects have been in the agri-food sector (e.g. fisheries, food crops, animal husbandry). Export-oriented industries using natural resources, such as mining, should see a resurgence in investment opportunities once political stability returns to the market, since government stability should help pave the way for economic reform.

Asian markets bear watching

Opportunities for Canadian exporters remain bright in many countries within Southeast Asia, particularly those that require FDI for further development of infrastructure programs. Although most of the recent FDI flow into Southeast Asia has come from the United States and Europe, FDI may be one of the best entry mechanisms available to Canadian participants to gain entry into potentially lucrative markets. Also, the provision of FDI in significant business ventures has become the norm when doing business in the region. Canadian firms which are prepared to provide FDI to business ventures in the region stand to reap the rewards in the long run.

Mark Bolger, Anis Karim and Alison Nankivell are Regional Managers in EDC's International Markets Group.



China at a glance

Population: 1.2 billion
GDP per capita: US$770
GDP growth: 7.8 per cent
Inflation: -0.8 per cent
Canadian exports: $2.2 billion
Canada's market share: 2.1 per cent
Current account balance: US$32.6 billion

EDC's position:

Short-term — Good experience. Open without restrictions.
Medium/long-term — Good experience. Open, subject to an overall exposure guideline.
Political risk insurance — Case-by-case.

Canadian opportunities:

Agriculture, food products, fisheries and related sectors, construction products and services, education and training services, electric power, environment, forestry, pulp and paper, information technologies and telecommunications, natural resources and transportation.

Who to contact:

Canadian Embassy in China
Ron Hoffmann
Counsellor (Commercial) and
Deputy Program Manager
Tel.: (011-86-10) 6532-3536
Fax: (011-86-10) 6532-4072
E-mail: ron.hoffman@bejing03.x400.gc.ca

DFAIT

David Murphy
Deputy Director
China and Mongolia Division
Tel.: (613) 992-6129
Fax: (613) 943-1068
E-mail: dmurphy@dfait-maeci.gc.ca
Internet: www.dfait-maeci.gc.ca

Canada China Business Council

Fred Spoke
Executive Director
Tel.: (416) 954-3800
Fax: (416) 954-3806
E-mail: ccbc@istar.ca
Internet: www.ccbc.com

CIDA INC

Yvan Valiquette, Program Manager
Tel.: (819) 997-0561
E-mail: yvan_valiquette@acdi-cida.gc.ca
Julie Bedard, Program Manager
Tel.: (819) 994-7441
E-mail: julie_bedard@acdi-cida.gc.ca
Fax: (819) 953-5024
Internet: www.acdi-cida.gc.ca

EDC

Contact the EDC regional office nearest you (see listing, inside back cover) or EDC's Regional Manager for China, Alison Nankivell, (613) 597-8657 or e-mail at anankivell@edc-see.ca

India at a glance

Population: 975 million
GDP per capita: US$420
GDP growth: 5.5 per cent
Inflation: 8.0 per cent
Canadian exports:: $350 million
Canada's market share: 0.5 per cent
Current account balance: US$-6.3 billion

EDC's position:

Short-term — Experience good. Open without restrictions.
Medium/long-term — Good. Open, subject to overall exposure guideline.
Political risk insurance — Open for cover.

Canadian opportunities:

Power, mining, pulp & paper, aviation, telecommunications, information technology, surface transportation, steel, oil & gas, industrial equipment, environmental services, fertilizers and agricultural products.

Who to contact:

Canadian Embassy in India
Bill Johnston
Counsellor (Commercial)
Tel.: (011-91-11) 687-6500
Fax: (011-91-11) 687-5387
E-mail: bill.johnston@delhi01.x400.gc.ca

DFAIT

John Burbridge
South Asia Division
Tel.: (613) 996-5903
Fax: (613) 996-5897
E-mail: john.burbridge@dfait-maeci.gc.ca
Internet: www.dfait-maeci.gc.ca

Business Council

Murray Jans
Executive Director
Tel.: (416) 868-6415
Fax: (416) 868-0189
E-mail: mjans@canada-indiabusiness.ca
Internet: www.canada-indiabusiness.ca

CIDA INC

Vivian Monteith
Program Manager
Tel.: (819) 997-0359
Fax: (819) 953-5024
E-mail: vivian_monteith@acdi-cida.gc.ca
Internet: www.acdi-cida.gc.ca

EDC

Contact the EDC regional office nearest you (see listing, inside back cover) or EDC's Regional Manager for India, Anis Karim, (613) 598-2869 or e-mail at akarim@edc-see.ca

South Korea at a glance

Population: 46 million
GDP per capita: US$6,862
GDP growth: -5.4 per cent
Inflation: 7.5 per cent
Canadian exports: $1,744 million
Canada's market share: 1.8 per cent
Current account balance: US$40 billion

EDC's position:

Short-term — Coverage available on case-by-case basis
Medium/long-term — Good. Open.
Political risk insurance — Open for cover.

Canadian opportunities:

Telecommunications, agrifood, transportation, coal, commodities and mineral fuels.

Who to contact:

Canadian Embassy in South Korea
James Feir
Minister-Counsellor (Commercial)
Tel.: (011-82-2) 753-2605
Fax: (011-82-2) 755-0686
E-mail: jim.feir@seoul01.x400.gc.ca

DFAIT

Lynne Thomson
Trade Commissioner
Korea & Oceania Division
Tel.: (613) 995-8744
Fax: (613) 996-1248
E-mail: lynne.thomson@dfait-maeci.gc.ca
Internet: www.dfait-maeci.gc.ca

EDC

Contact the EDC regional office nearest you (see listing, inside back cover) or EDC's Regional Manager for South Korea, Mark Bolger, (613) 598-2508 or e-mail at mbolger@edc-see.ca

E C O N O M I C   O V E R V I E W

Asian economies on the upswing

by Mark Worrall

The tumultuous events of 1997 that gave rise to the Asian Crisis sent shock waves throughout the world economy. Long-held beliefs regarding the course of regional development were upset overnight, leading investors to adopt a more prudent approach to emerging markets. Today, economic indicators are measured alongside progress in banking sector reform and corporate governance, as a matter of course.

Selectivity is the order of the day in Asia, where the astonishing performance of virtually all the economies so far this year has prompted renewed interest in the business potential of individual markets. Asia's crisis was, after all, one of inefficient financial intermediation that finally rendered corporate and financial institutions insolvent. The bull run that has taken place in Asia since March has been all about deleveraging: debt is being swapped for equity, allowing cash-strapped companies and banks to restructure on solid terms. As discernment has replaced fear and pessimism in the minds of investors, countries that have most openly embraced reform have strongly benefited.

For example, the Korean government's commitment to meet its target of 200 per cent debt-to-equity ratio for its chaebol has been rewarded with inflows of more than $3.5 billion in direct investment in the first half of 1999. Even Malaysia has seen $1 billion of inward investment since the government eased exchange controls in February. Investors have been encouraged by the pace of bank recapitalization and attracted by renewed opportunities in Malaysia's corporate sector.

Defying expectations is not confined to foreign investment flows. Economies throughout the region have experienced such strong rebounds that experts of all stripes have had to scramble to keep pace. In country after country, forecasts made at the beginning of the year have been revised upward. The projected growth rates of Korea, Thailand, Malaysia, Singapore, the Philippines and Indonesia have all improved between two and three per cent over the first six months of 1999. Japan has also witnessed almost two per cent growth this year, a turnaround that is crucial to the long-term recovery of Asia's economies.

Will it last?

The strength of Asia's recovery will depend on each country's resolve to prevent a repeat banking crisis, through continued pursuit of institutional reforms such as capital adequacy; bankruptcy and foreclosure laws; greater foreign ownership; and reduced banking capacity. Private equity investment this year has improved corporate cash flows and contributed to the sharp fall in interest rates witnessed so far throughout the region in 1999. Given the dominant position of banks in Asia's financial system, a balanced recovery will also require their participation. The losses on banks' balance sheets are, however, almost unprecedented in magnitude, and estimates of costs have been rising steadily, so a strong political commitment to recapitalization is vital.

Other sources of potential risk that exist in the medium term include failure to deal with the fiscal implications of the crisis and a sudden deterioration in the external accounts caused by the depreciation/devaluation of the yen and renminbi currencies. Each of the countries most affected by the crisis is expected to run large fiscal deficits for at least the next two years, which will add more than 10 per cent of GDP in debt on average. Governments will need to compensate by quickly implementing rigorous fiscal consolidation programs. Japan's yen will be the dominant force in Asia as the country's total trade with the region is more than two-and-a-half times the size of China's. Regarding devaluation of the Chinese currency, we do not foresee this taking place this year.

Although the progress made so far in 1999 in Asia's crisis-ridden countries has been strong, we should remain vigilant. Any backpedaling on corporate reform, fiscal consolidation or disclosure requirements will be cause for concern. Such vigilance will also, however, allow investors to raise their level of understanding of individual markets and identify those sectors and companies with the greatest promise.

Mark Worrall is an economist with EDC's Country Assessment Team.

MINING

Unearthing a high-tech industry

by Julie Harrison

Talk of the mining industry typically conjures up a traditional image of men with picks and shovels, pursuing a resource that will eventually run dry. However, Canada's modern mining industry is populated by both men and women using robotics, computers and leading-edge high-tech equipment to develop products and services that continue to grow the industry.

Canada's mining sector continues to prove it has what it takes to succeed in a challenging global market. Today, Canada is the world's largest exporter of minerals, with a trade surplus of about $10 billion annually. According to Natural Resources Canada, Canada's domestic non-fuel mining exports (including coal) keep on growing — from $29 billion in 1993 to $45 billion in 1998.

To more than 368,000 Canadians, the mining and mineral processing industries are a source of employment. This includes related mining stages such as smelting and refining, non-fuel semi-fabrication and fabrication. In addition, spin-off industries serve to employ thousands of other Canadians. Canada's metal recycling industry, for example, employs 20,000.

Industry in evolution

Canada's mining industry began rapidly gaining speed about a century ago with the discovery of nickel in Ontario, lead and zinc in southern British Columbia, and gold in the Yukon. Other major discoveries followed.

In the Great Depression of the 1930s, mining provided much-needed support for the Canadian economy as one of the few industries able to operate normally. World wars resulted in a global hunt for resources to rebuild, resulting in a further expansion of Canada's mining industry.

More recently, phenomenal growth of knowledge-based sectors — 9.4 per cent over the past year alone — has presented new challenges and opportunities for Canada's mining industry. Its response remains consistent: embrace technology, invest heavily in R&D, and be a world-renowned innovator.

According to the Mining Association of Canada (MAC), more than 85 per cent of the Canadian mining work force uses advanced technology. Among such leading-edge technologies are prospecting technologies that employ satellite systems to determine the precise location of ore bodies and sophisticated remote mining techniques; robotic mining; and complex communications networks that link various mining operations. In addition, Canadian innovators have used biotechnology to develop new breeds of bacteria which neutralize mining compounds and help reclaim former mine sites.

Many of Canada's largest mining companies undertake significant R&D in knowledge-based technology. According to MAC, through private research, and through

partnerships with government, universities and other private sector companies, the mining industry has been actively involved in a wide range of research programs, including automated drilling and heavy equipment; rechargeable batteries; specialty mineral powders and coatings; galvanized metals for automotive and construction applications; diesel emissions; reduced air emissions; and aquatic systems enhancements. The Canadian mining industry has provided a platform for a cluster of knowledge-based industries, many of which are small- and medium-sized businesses in both rural and urban Canada.

Managing inevitable risks

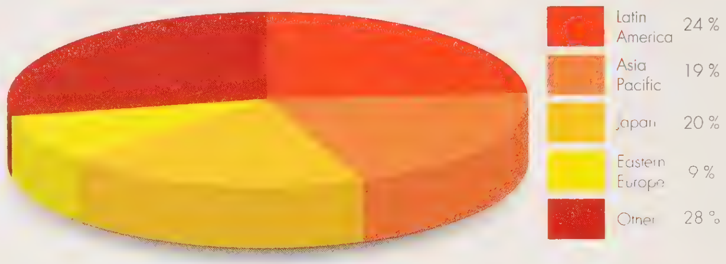
The mineral development process can be broken down into three distinct phases: exploration, development and production. Each phase involves large expense, and generally high risk. To assist the industry, EDC has a team of financial specialists, dedicated to the mining sector, that offers services to meet the needs associated with each phase.

During the exploration phase, Canadian suppliers of goods or services may be asked to provide extended payment terms to their buyer. Jim McIntyre, Financial Services Manager with EDC's Mining Team, notes, "In many cases, the supplier is unfamiliar with the buyer and must therefore expose itself to risk or lose the contract." EDC's medium-term insurance can provide much-needed cover for risks such as contract cancellation and buyer non-payment. This allows the supplier to confidently offer the extended payment terms requested by the buyer since, should the buyer default, EDC pays for 90 per cent of the losses. "And the supplier can free up more working capital by leveraging its insured receivables with its own bank," comments McIntyre.

During the development phase, investors are reliant on the political stability of the host country. In many instances, investments are vulnerable to transfer and inconvertibility of funds, political violence and expropriation. EDC's Political Risk Insurance can act as a safety net, covering 90 per cent of losses caused by political instability.

Also during the development phase, Canadian suppliers of equipment or services are commonly asked to issue a bid or performance bond as a condition of the contract. A Canadian supplier to the Collahuasi copper project in Chile, for instance, was required to post a $400,000 performance bond. To do so, it arranged a Letter of Guarantee from its bank. In turn, $400,000 of its operating line of credit with the bank was frozen as collateral against the bond. Since the bond was to be in effect for a full year, this substantially limited its access to working capital during that period. EDC's Performance Security Guarantee (PSG) resolved this dilemma. Explains McIntyre, "PSG is a guarantee from EDC to the supplier's bank that, should the bond be called, EDC will reimburse the bank for the full amount. The supplier is still ultimately responsible for the funds should the bond be called, but the PSG frees up its working capital." He adds, "Should a supplier not wish to carry the risks of a bond being called, it can seek EDC Performance Security Insurance, which will cover 90 per cent of losses in the event of a wrongful call."

EDC-supported mining activity by geographic location



When the development stage is complete and a product is ready for distribution, EDC's accounts receivable insurance is available to cover commercial and political risks involved in the transaction. Should the transaction go awry, EDC will cover 90 per cent of an exporter's losses.

Environmental cooperation

As an acknowledged world leader in environmental research and management, Canada brings to the host countries its expertise in designing safe, modern mines. EDC joins Canada's mining industry in its belief that mine development must reflect a balance between the pursuit of economic opportunities and protection of the environment.

Antamina, a recent US$2.2 billion copper–zinc mining project in Peru, illustrates this point: "The Antamina project is now being used by the World Heritage Committee (WHC)

as a model for cooperation between WHC and the mining industry," says Nicole de Lint, an industry analyst with EDC's Industrial Advisory Services (IAS) Team. "The project design has involved international mining companies; local and global non-governmental organizations such as the International Union for Conservation of Nature and the Mountain Institute; and local populations."

"Human activity inevitably has an impact on the environment, but we have to make sure we do everything we can to mitigate the impact," says David Herscovitch, Director of EDC's IAS Team, and a key player in the development of EDC's Environmental Framework.

Creating demand for Canadian know-how

While Canada's early mining developments drew on foreign investment, we have evolved to become a leading source of financing for the industry on an international scale. Canada's share of total equity financing worldwide grew to 60 per cent in 1998, up from 47 per cent in 1997.

Canada's foreign mining investments bring many benefits to the host countries. Our knowledge-based mining expertise is in high demand because mines developed by Canadian companies employ superior technology and design features.

By working with international sponsors, Canadian mining companies and Canadian government associations, EDC strives to expand Canadian mining opportunities. "When a large project is approved, EDC encourages Canadian procurement; we send out notices to prospective suppliers and offer procurement information on our Web site," says Herscovitch. "EDC maintains a database on Canadian exporters because we are often asked by foreign companies to suggest Canadian firms they might approach for a particular product or service," he adds. "In some instances, EDC also jointly conducts seminars with government departments and industry associations to share foreign buyer knowledge with potential suppliers."

EDC's project financing is another means of encouraging Canadian procurement. Established in 1995, EDC's Project Finance Team has received international recognition for its innovative solutions and flexible participation. According to Peter Hepburn, EDC's Vice-President, Structured Finance Group, "Sponsors are finding that, due to the complexities and risks of many mining deals, increasingly being developed in emerging markets, there is a greater need to work with a combination of multilateral institutions, commercial banks and ECAs."

Drawing on its relationships within the international banking community, plus its industry knowledge and project finance expertise, EDC is able to assess and structure projects so payments begin once infrastructures are in place and the projects are able to generate their own funds. As a result, EDC has enhanced the sourcing opportunities for competitive Canadian suppliers.

EDC milestones

EDC has participated in numerous mining projects worldwide, including:

- PT Inco (1996) nickel mine in Indonesia: EDC acted as a Lender of Record under an A Loan/B Loan Structure, providing US$200 million in direct financing in conjunction with several Canadian banks.
- Collahuasi (1996) copper mine in Chile: EDC agreed to a 13-year loan tenor for US$150 million, to enhance the borrower's capitalization structure and reduce its annual debt-repayment requirements.
- Alumbrera (1997) copper mine in Argentina: EDC developed the first single-policy document for an insurance syndicate, involving four Export Credit Agencies and the Multilateral Investment Guarantee Agency, and provided US$100 million in political risk insurance.
- Cajamarquilla (1998) zinc smelter in Peru: EDC was a Co-Lead Arranger with two other North American banks in structuring a US$250-million limited recourse financing agreement. EDC's direct financing of US$80 million was instrumental in ensuring that the bank syndication was successful at a time when the syndication market was unsettled.
- Antamina (1999) copper-zinc mine in Peru: EDC is both a direct lender, providing US$135 million in limited recourse financing, and a political risk arranger/insurer for the US$535 million commercial bank lending facility, most of which is covered by political risk insurance.

Cubex *breaking new ground*

Photo: courtesy of Cubex Limite

by Julie Harrison

By customizing in-the-hole production drills for Canadian mining companies, Cubex Limited has made the transition from equipment distributor to equipment manufacturer. With specialized underground production drilling equipment designed to drill long, straight holes in any direction, Cubex President Kitch Wilson hit a niche market, and the company has never looked back. Today, Cubex Megamatic drills are used in every major mining area around the globe.

Established in 1972 in Winnipeg, Manitoba, Cubex is now a worldwide manufacturer and distributor, with annual sales exceeding $25 million. In partnership with his brother Bill, Wilson oversees operations in Winnipeg, Calgary and Montreal. Cubex employs about 70 people, including engineers, technicians, machine operators and service specialists.

"EDC played an important role when it came to getting Cubex into export markets," remarks Wilson. "In 1988, EDC was involved in a trade mission to India that Cubex had joined. As it turned out, a state-owned enterprise in India was tendering for underground equipment and Cubex was eventually awarded the contract as a result of this trip. It was on this first export transaction that we began our relationship with EDC. Since then, our business with EDC has been ongoing."

For Cubex, exporting is integral to growing its business, and EDC's credit insurance facilitates growth by enabling Cubex to extend credit to foreign buyers. "With EDC accounts receivable insurance, Cubex is able to leverage its insured receivables with the bank, which frees up working capital," says Wilson.

Because Cubex is in a niche market, the firm faces stiff competition from other world-class competitors. According to Wilson, the company keeps pace by providing customers with an extremely high level of support. "We provide everything from quality instruction manuals to on-site customer training. Because 40 to 60 per cent of our equipment is shipped outside North America, we find that our biggest challenge globally is providing quality service support."

Used worldwide, Cubex Megamatic drills can drill long, straight holes in any direction.

Whatever the challenges, Wilson remains confident about Cubex's future in doing business globally. "With exporting, you need to be patient because it can take time to get established in international markets," he says. "But most importantly, you need to be fully committed and ready to take on new challenges."

Cominco building on success

by Brenda Stewart

It's no small feat to become the world's largest zinc miner and fourth largest refiner of metal, but Cominco Ltd.'s business and technological savvy make it a reality. Recently, the Vancouver-based company added EDC to its list of tools for mining success.

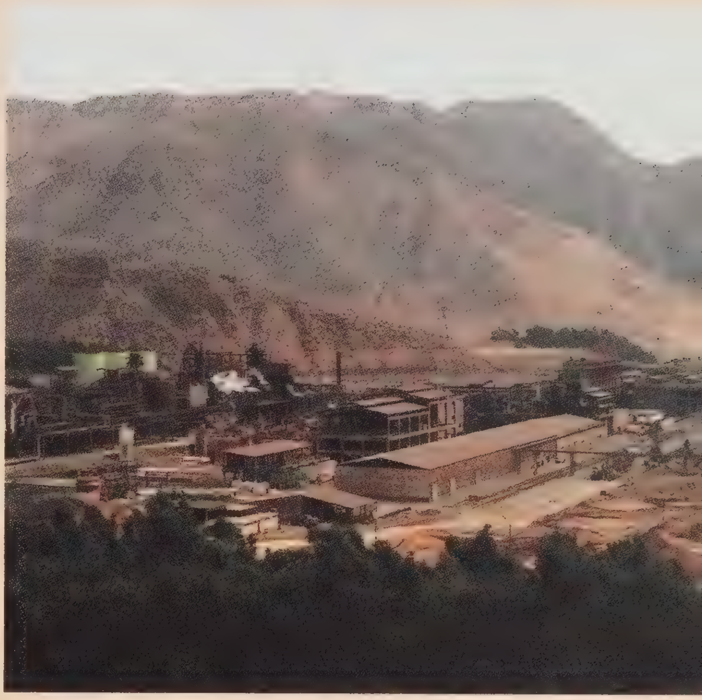


Photo: courtesy of Cominco Ltd.

Cominco recently called on EDC to help in doubling the size of its Cajamarquilla refinery in Peru.

With its main operations in Canada, the United States, Peru and Chile, 93-year-old Cominco chalked up sales of $1.6 billion last year alone, largely from export. Even with the Asian crisis and falling base metal prices, the company tenaciously met customer needs, expanded production and reduced costs and expenditures — all the while improving operational reliability and maintaining high environmental and safety standards.

In the worldwide marketplace, Cominco has polished its facility for creating partnerships and setting up a winning situation for everyone involved. The company sought a relationship with EDC when it set out to double the size of its Cajamarquilla refinery in Peru — an undertaking that had a price tag of about US$300 million.

The Asian crisis has made it increasingly difficult and costly to borrow, explains Cominco's Vice President of Finance, Glen Darou. "The perception of political risk makes EDC even more important in developing projects. EDC was critical to obtaining the full size of the financing we achieved, and it was the largest single supplier in the syndicate of banks," he adds.

"Our experience with EDC people is that they are very professional and they work very well with members of the international banking community from Europe, the United States and Canada," comments Michael Longinotti, Cominco's Treasurer. "Our EDC contacts proved to be extremely knowledgeable about our industry, including the macroeconomics and what it takes to be successful. They also understand the international scene, particularly Peru. Their input on both has been extremely helpful to us. It's good to be able to talk to them and have them understand our business rationale."

With its 30-year track record in export, the firm has developed skills in foreign countries that are the bedrock of its success. Darou says, "It's important when entering a country to be able to demonstrate other successes, as well as the desire for a long-term commitment that will benefit the employees and the country." Currently, Cominco employs about 500 people in Peru and is spending "major mineral exploration dollars" to find a zinc mine.

Intrinsic to this approach is observing the ethics, laws and environmental safety requirements within the host country. "We don't have two sets of environmental standards. We have one that applies everywhere we operate," says Darou. "We're extremely proud of our policies in Peru and Chile. Employees exhibit great pride in working at our operations — and that translates into a productive environment."

As for future projects with EDC, Longinotti says, "Having had a very good experience, we'd certainly call EDC people to discuss the possibilities and see if their services could play a role."

Lines of credit

EDC has many types of export financing facilities to simplify the purchase of Canadian goods and services by buyers in export markets.

These facilities fall into two broad categories: supplier credit financing and buyer credit financing.

One example of supplier credit financing is a note purchase agreement. Under such an agreement, EDC purchases from an exporter a series of promissory notes issued by a foreign buyer to the exporter upon the sale of goods or services.

Buyer credit financing includes direct loans and lines of credit. Direct loans are a financing arrangement between EDC and a buyer, or a borrower on behalf of a buyer, for a predetermined transaction. Loans usually involve large transactions with long repayment terms.

Lines of credit are a streamlined form of financing in which EDC lends money to a foreign bank, institution or purchaser, which then onlends the necessary funds to foreign purchasers of Canadian goods and services. Interest rates, repayment terms and other details are prearranged between EDC and the foreign borrower, which speeds up turnaround time. Transactions supported under lines of credit are usually valued at between US$50,000 and US$5 million. EDC currently has 49 lines of credit, providing one form of access to export financing for buyers in some 24 countries.

Listed below are the details and contacts for the lines of credit which exporters have found most useful.

It is important to note that:

- **EDC's financing and insurance services extend beyond countries in which EDC has established lines of credit.**
- **These lines of credit are one of several ways in which EDC will do business in these markets.**
- **If you are thinking about exporting but have never used one of EDC's lines of credit, it is wise to contact EDC as early as possible.**

For more information on how EDC export financing can help you close a deal abroad, contact the regional office nearest you by calling 1-888-332-3777.

Categories

Overseas Area Code = 011

1 - Borrower
2 - Signing amount
3 - Repayment terms
4 - Buyers' contact with borrower
5 - Borrowers' contact
in North America

Lines of Credit

Mexico, Central & South America

Andean Pact – Bolivia, Colombia, Ecuador, Peru and Venezuela

1) **Corporación Andina de Fomento (CAF)**
2) US$70 million
3) 10 years
4) Mr. Fernando Infante
Vice-President of Finance
Tel.: 582-209-2283
Fax: 582-209-2329
www.finfante@caf.com

Mr. José Vicente Maldonado (Bolivia)
Tel.: 591-243-1333
Fax: 591-243-2049
www.jvicente@caf.com

Ms. Liliana Canale (Colombia)
Tel.: 571-313-2311/2549
Fax: 571-313-2787
www.lcanale@caf.com

Mr. Alfredo Solarte (Ecuador)
Tel.: 593-222-4080
Fax: 593-222-2107
www.asolarte@caf.com

Mr. Gustavo Fernández (Peru)
Tel.: 511-221-3566
Fax: 511-221-0968
www.gfernandez@caf.com

Mr. Carlos Romero (Venezuela)
Public Sector
Tel.: 582-209-2183
Fax: 582-209-2463
www.cromero@caf.com
Ms. Blanca Alarcón, Private Sector
Tel.: 582-209-2379
Fax: 582-209-2433
www.balarcon@caf.com

Argentina

1) **Banco Francés**
2) US$10 million
3) 2, 3, 5 or 7 years
4) Mr. Fernando Sola, Regional Manager
North America and Asia Pacific
Tel.: 5411-4346-4326/4000 (ext. 1893)
Fax: 5411-4346-4337

1) **Industrias Metalúrgicas Pescarmona S.A.I.C. y F. (IMPSA)**
2) US$15 million
3) 3 semi-annual installments
4/5) Mr. Miguel Valentini
Director of Purchasing (Pittsburgh)
Tel.: 412-344-7003 (ext. 21)
Fax: 412-344-7009
www.valentini@impsa.com

1) **Pan American Energy (Argentina Branch)**
2) US$50 million
3) 3 to 8.5 years
4) Mr. Pablo M. Ferrari
Financing Department
Tel.: 5411-4310-4332
Fax: 5411-4310-4367

1) **Telecom Argentina STET-France Telecom S.A.**
2) US$45.2 million
3) 3 to 8.5 years
4) Mr. Tomás Silveyra, Manager
Financial Operations
tsilveyr@ta.telecom.com.ar
Ms. Carolina Campos, Financial Operations
Tel.: 5411-4968-3500/3532
Fax: 5411-4312-9472
ccampol@ta.telecom.com.ar

1) **Telefónica de Argentina S.A.**
2) US$50 million
3) 3 to 8.5 years
4) Mr. Juán López Basilvaso
Director of Finance
Ms. Antonieta Martino/
Mr. Raul H. Rolandi, Finance
Tel.: 5411-4325-0190
Fax: 5411-4325-1920
rolandir@telefonica.com.ar

1) **Total Austral S.A.**
2) US$50 million
3) 2 to 8.5 years
4) Mr. Alain Petitjean, Financial Controller
Tel.: 5411-4346-6400
Fax: 5411-4346-6697

1) **Transportadora de Gas del Norte S.A.**
2) US$5 million
3) 2.5 to 5 years
4) Mr. Orlando Paolini
Tel.: 5411-4959-2167
Ms. Dora Zapolski
Tel.: 5411-4959-2002
Fax: 5411-4959-2110

1) **YPF, S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Enrique Waterhouse/
Ms. Dora E. Acosta Vásquez
Tel.: 5411-4329-5685
Fax: 5411-4329-5838

Argentina, Brazil, Colombia and Uruguay

1) **BankBoston**
2) US$25 million
3) 2 to 8 years
4) Mr. Julio Laffaye, Trade Finance Manager
International Services (Argentina)
Tel.: 5411-4346-2112
Fax: 5411-4346-3209/343-7303

Mr. Sergio Schirato (São Paulo)
Tel.: 5-511-3881-6415
Fax: 5-511-3881-6430

Mr. Miguel de Pombo (Bogotá)
Tel.: 571-313-2255/3455
Fax: 571-313-3536

Mr. José Baniela (Montevideo)
Tel.: 598-296-0127
Fax: 598-296-2209

5) Mr. David Ames, Assistant Vice-President
International Corporate Finance
Tel.: 617-434-5178
Fax: 617-434-1188

Brazil

1) **Banco do Brasil**
2) US$25 million
3) up to 5 years
4) Mrs. Rosana Porto Feirosa
Tel.: 55-11-3066-9021
Fax: 55-11-3066-9029

1) **Petrobrás**
2) US$15 million
3) up to 5 years
4) Mr. Hernani Fortuna
Head, Investment Finance
Tel.: 5-521-534-1450
Fax: 5-521-534-4278

1) **Unibanco – Uniâo de Bancos Brasileiros**
2) US$15 million
3) 2, 3, 4 or 5 years
4) Ms. Silvia Nucci
Manager International Relations/
Ms. Patricia Urbano
Manager, Corresponding Banking
Tel.: 5-511-867-1684/4321/1900
Fax: 5-511-815-4484/814-0528/867-1689
5) Mr. Durval Araujo (New York)
Tel.: 212-207-9426
Fax: 212-754-4872
Mr. Marcos Pereira (Miami)
Tel.: 305-372-0100
Fax: 305-350-5622

Colombia

1) **Banco Cafetero**
2) US$10 million
3) up to 8.5 years
4) Mr. Luis Hernando Manrique
Head Special Lines Department
Tel.: 571-341-1511 (ext. 3700)
Fax: 571-284-2097/286-8893

1) **Cementos del Caribe**
2) US$5 million
3) up to 5 years
4) Mr. Ernesto Ritzel, Treasurer
Tel.: 575-355-6069
Fax: 575-355-9829

Honduras, Costa Rica, El Salvador, Guatemala and Nicaragua

1) **Central American Bank for Economic Integration (CABEI)***
2) US$20 million
3) 5 years
4) Mr. Jorge Kawas
www.jkawas@bcie.hn
Mr. Eduardo Membreño
(Tegucigalpa, Honduras, Headquarters)
Tel.: 504-228-2208/2209
Fax: 504-228-2135
www.emembren@bcie.hn

Lic. Ronald Martínez Saborío/
Mr. Dennis Sánchez Acuña (Costa Rica)
Tel.: 506-253-9394
Fax: 506-253-2161
www.dsanchez@bcie.org

Ing. Francisco José Ramírez Cuadra
(El Salvador)
Tel.: 503-260-2244/2245
Fax: 503-260-3276
www.framirez@bciesv.bcie.hn

Lic. Jorge Mario Diaz Rosal (Guatemala)
Tel.: 502-334-1744/332-2722
Fax: 502-331-1457
www.jmdiaz@bciegt.bcie.hn

Ing. Roger Arteaga Cano (Nicaragua)
Tel.: 505-266-4120 to 4123
Fax: 505-266-4143/4125
www.mbuitrag@bcie.org

* *CABEI is closed to new projects in the public sector/Government of Nicaragua.*

Mexico

1) **Banca Serfin, S.A.**
2) US$20 million
3) 5 years
4) Mr. José Carrassó Arnaiz
Vice-President, International Division
Tel.: 525-512-1009
Fax: 525-625-5613
5) Mrs. Paloma Healey
Tel.: 416-360-8900
Fax: 416-360-1760

1) **Bancomer, S.A.**
2) US$75 million
3) 5 to 8 years
4) Ms. Cecilia Sáenz y Sáenz
Vice-President, Import Financing
Tel.: 525-621-3861/3491
Fax: 525-621-4758

1) **Banco Nacional de Comercio Exterior, S.N.C. (Bancomext)**
2) US$125 million
3) 5 to 8 years
4) Ms. Rosa María Solís, Vice-President
International Banking, North America
Tel.: 525-481-6051
Fax: 525-481-6076/6077
5) Mr. Marco Espinosa
Trade Commissioner of Mexico (Toronto)
Tel.: 416-867-9292
Fax: 416-867-1847

1) **Banco Nacional de México, S.A. (Banamex)**
2) US$125 million
3) 5 to 10 years
4) Ms. Mariana Lerdo de Tejeda Sánchez
Comercio Exterior
Tel.: 525-720-7077
Fax: 525-720-7315
5) Mr. Joseph Clarke (New York Office)
Tel.: 212-303-1431
Fax: 212-303-1470
www.jclarke@banamex.com

1) **Banco Nacional de Obras y Servicios Públicos, S.N.C. (Banobras)**
2) US$20 million
3) 5 to 8 years
4) Lic. Abelardo Bravo Herrera, Gerente
Operaciones Bancarias Internacionales
Tel.: 525-723-6000
Fax: 525-723-6235

1) **Comisión Federal de Electricidad (CFE)**
2) US$50 million
3) 5 to 8 years
4) Mr. Ramón Benitez Galarza
Head, Credit Operations Department
Tel.: 525-705-0571/229-4502
Fax: 525-229-4703
www.rbg84069@cfe.gob.mx

1) **Grupo Minero México, S.A. de C.V.**
2) US$75 million
3) 5 years
4) Ing. Genaro Guerrero Díaz
Tel.: 525-564-7066
Fax: 525-574-8056

1) **Hylsa, S.A. de C.V.**
2) US$20 million
3) 5 years
4) Mr. Manuel Moguel, Treasury
Tel.: 528-328-1220
Fax: 528-328-1885

1) **Nacional Financiera, S.N.C. (Nafin)**
2) US$28 million
3) 5 to 8 years
4) Mr. Jorge Muñoz Cuevas
Manager Bilateral Financing
Tel.: 525-325-7022/7023
Fax: 525-325-6496

1) **Petroleos Mexicanos (Pemex)**
2) US$50 million
3) 3 to 10 years
4) Ing. Eduardo Ito
Deputy Manager, Trade Finance
Tel.: 525-250-6478
Fax: 525-254-1896
www.jenito@dcf.pemex.com
5) Mr. Alan Rivers, Vice President and
Treasurer, Integrated Trade Systems
Tel.: 713-430-3240
Fax: 713-430-3312
www.arivers@itsinc.com

1) **Teléfonos de México, S.A. de C.V. (Telmex)**
2) US$35 million
3) 3 to 7 years
4) Mr. Gustavo León Méndez, Treasury
Tel.: 525-222-1153/1154
Fax: 525-203-5972
www.glmendez@telmex.net

Peru

1) **Banco Wiese Ltdo.**
2) US$15 million
3) 2 to 5 years
4) Mr. Eduardo Lizarzaburu Cuba
   Financing Intermediation Division
   Tel.: 511-428-6000
   Fax: 511-426-9414
   www.elizarzaburu@wiese.com.pa
   Mr. Javier Román
   Tel.: 511-426-6231
   Fax: 511-428-3163
   www.jroman@wiese.com.pa

Trinidad & Tobago

1) **Central Bank of Trinidad & Tobago**
2) US$15 million
3) up to 8.5 years
4) Ms. Cara Mae Farmer
   Manager, Banking Operations
   Tel.: 868-625-4835/623-4715
   Fax: 868-625-2468
   www.cfarmer@central_bank.org.tt

Venezuela

1) **BARIVEN, S.A./Petróleos de Venezuela, S.A. (PDVSA)**
2) US$50 million
3) 2 to 8.5 years
4) Eduardo Meinhard Z., Finance
   Tel.: 582-606-4722
   Fax: 582-606-5385
   www.meinharde@pdvsa.com
5) Mr. Philip Lemon, Trade Financial Analyst
   PDVSA Services, Inc. (Houston, Texas)
   Tel.: 281-588-6400
   Fax: 281-588-6287
   www.lemonp@pdvsa.com

Africa & Middle East

Algeria

1) **Banque Algérienne de Développement (BAD)**
2) US$100 million
3) 3 or 5 years
4) Mr. Saddek Alilat, Director
   Tel.: 213-2-677-583/4/5
   Fax: 213-2-674-241

1) **Sonatrach**
2) US$70 million
3) 3 or 5 years
4) Mr. Mohamed Kerkebane, Director
   Tel.: 213-2-746-272/209
   Fax: 213-2-746-256

Egypt

1) **United Bank of Egypt**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Atef Eldib, Executive Manager
   Credit and Marketing Department
   Tel.: 011-202-594-0146
   Fax: 011-202-594-0153

Israel

1) **Bank Hapoalim B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Yona Rosenberg
   Foreign Trade Department
   Tel.: 972-3-567-3424
   Fax: 972-3-567-4548

1) **Bank Leumi Le-Israel B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Liorah Tidhar, First Vice-President
   Trade & Project Finance
   Tel.: 972-3-514-7373
   Fax: 972-3-514-7865

1) **United Mizrahi Bank Limited**
2) US$10 million
3) 3, 5 or 7 years
4) Mr. Chana Chefer
   Foreign Trade Department
   Tel.: 972-3-567-9011
   Fax: 972-3-567-9028

Lebanon

1) **Credit Libanais SAL**
2) US$10 million
3) 3 to 8.5 years
4) Mr. George Khouri
   Tel.: 961-158-2390
   Fax: 961-160-2615

South Africa

1) **First National Bank of Southern Africa Limited/Rand Merchant Bank**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Willie Coetzee
   International Project Finance
   Tel.: 2711-282-8369
   Fax: 2711-282-8318

1) **Impofin (Pty) Limited**
2) US$15 million
3) 3 to 8.5 years
4) Mr. Leon Potgieter, Deputy General Manager, Industrial Development Corporation of South Africa Ltd.
   Tel.: 2711-269-3266
   Fax: 2711-269-3121

1) **Nedcor Bank Ltd.**
2) US$10 million
3) 3 to 8.5 years
4) Mr. David N. Fienberg, Head
   International Finance Unit
   Tel.: 2711-630-7444
   Fax: 2711-630-7146

1) **The Standard Bank of South Africa Limited**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Gerald Nolan
   Senior Manager, International Finance
   Tel.: 2711-636-5062
   Fax: 2711-636-3181

Tunisia

1) **Ministry of International Cooperation and Foreign Investment**
2) US equivalent of Cdn$100 million
3) up to 10 years
4) Mr. Abdelhamid Bouhawala
   Tel.: 216-1-798-522
   Fax: 216-1-799-069

Europe

Ukraine

1) **State Export Import Bank of Ukraine**
2) Cdn$20 million
3) 3 to 10 years
4) Ms. Tetyana M. Kutuzova
   Head of Department
   Tel.: 380-44-247-8925/26
   Fax: 380-44-247-8928/8082
   Telex: 131258 RICA

Asia & Pacific

China, People's Republic of

1) **Bank of China**
2) US$200 million or its equivalent in Cdn. or other acceptable foreign currencies
3) up to 10 years
4) Ms. Zheng Lin
   Credit Business Department
   Tel.: 86-10-6834-3340
   Fax: 86-10-6834-2111

1) **Bank of Communications**
2) US$25 million
3) up to 10 years
4) Ms. Liu Ganghua
   Credit Department
   Tel.: 86-21-6275-1234 (ext. 2051)
   Fax: 86-21-6275-6224

1) **China Construction Bank**
   (previously People's Construction Bank of China)
2) US$100 million
3) up to 10 years
4) Mr. Yu Hui, Project Manager
   Project Finance Division
   Tel.: 86-10-6759-8555
   Fax: 86-10-6759-8549

1) **Industrial and Commercial Bank of China**
2) US$25 million
3) up to 10 years
4) Ms. Qin Lei
   International Finance Division
   International Department
   Tel.: 86-10-6610-6022
   Fax: 86-10-6610-6038

Indonesia

1) **P.T. Indah Kiat Pulp & Paper Corp.**
2) US$25 million
3) 3 to 10 years
4) Mr. Paulus Lucas
   Assistant Manager, Finance
   Tel.: 62-21-392-9266
   Fax: 62-21-392-8875
   www.paulus_lg@app.co.id

1) **P.T. Pabrik Kertas Tjiwi Kimia**
2) US$10 million
3) 3 to 10 years
4) Mr. Paulus Lucas
   Assistant Manager, Finance
   Tel.: 62-21-392-9266
   Fax: 62-21-392-8875
   www.paulus_lg@app.co.id

Contacts

EDC SEE

Head Office
151 O'Connor
Ottawa, Canada
K1A 1K3

Tel.: (613) 598-2500
Fax: (613) 237-2690
Internet: http://www.edc.ca

Smaller exporters — companies with annual export sales of up to $1 million — can contact our team of specialists at

1-800-850-9626

If your export sales exceed $1 million annually, call any one of EDC's regional offices at

1-888-332-3777

Western Canada

Jim Christie
Regional Vice-President
jchristie@edc-see.ca

Vancouver Office
Suite 1030
505 Burrard Street
Vancouver, British Columbia
V7X 1M5
Tel.: (604) 666-6234
Fax: (604) 666-7550

Blair Wilson
Business Development Manager
bwilson@edc-see.ca

Winnipeg Office
Commodity Exchange Tower
Suite 2075
360 Main Street
Winnipeg, Manitoba
R3C 3Z3
Tel.: (204) 983-5114
Fax: (204) 984-0163

Lewis Megaw
Business Development Manager
lmegaw@edc-see.ca

Calgary Office
Home Oil Tower
Suite 606
324-8th Avenue S.W.
Calgary, Alberta
T2P 2Z2
Tel.: (403) 292-6898
Fax: (403) 292-6902

Bruce Stanton
Business Development Manager
bstanton@edc-see.ca

Edmonton Office
Suite 905
10010-106th Street
Edmonton, Alberta
T5J 3L8
Tel.: (780) 495-2286
Fax: (780) 495-2346

Karen Goss
Business Development Manager
kgoss@edc-see.ca

Ontario

Ruth Fothergill
Regional Vice-President
rfothergill@edc-see.ca

Toronto Office
Suite 810
150 York Street
P.O. Box 810
Toronto, Ontario
M5H 3S5
Tel.: (416) 973-6211
Fax: (416) 862-1267

Laura Gainer
Business Development Manager
lgainer@edc-see.ca

David Little
Business Development Manager
dlittle@edc-see.ca

Ottawa Office
151 O'Connor Street
Ottawa, Ontario
K1A 1K3
Tel.: (613) 598-3152
Fax: (613) 598-6858

Hal Miller
Business Development Manager
hmiller@edc-see.ca

London Office
Suite 1512
148 Fullarton Street
London, Ontario
N6A 5P3
Tel.: (519) 645-5828
Fax: (519) 645-5580

Lillian Gagnon
Business Development Manager
lgagnon@edc-see.ca

Quebec & Atlantic Canada

Henri Souquières
Regional Vice-President
hsouquieres@edc-see.ca

Montreal Office
Suite 4520
800 Victoria Square
P.O. Box 124
Tour de la Bourse
Montreal, Quebec
H4Z 1C3
Tel.: (514) 283-3013
Fax: (514) 878-9891

Harold Riley
Business Development Manager
hriley@edc-see.ca

Halifax Office
Purdy's Wharf Tower II
Suite 1410
1969 Upper Water Street
Halifax, Nova Scotia
B3J 3R7
Tel.: (902) 429-0426
Fax: (902) 423-0881

David Surrette
Business Development Manager
davids@edc-see.ca

Moncton Office
International Trade Centre
1045 Main Street
4th Floor, Unit 103
Moncton, New Brunswick
E1C 1H1
Tel.: (506) 851-6066
Fax: (506) 851-6406

Charles Gaudet
Business Development Manager
cgaudet@edc-see.ca

Other organizations that help exporters

Trade Team Canada — Export Info
1-888-811-1119
www.exportsource.gc.ca

Business Development Bank of Canada
1-888-463-6232
www.bdc.ca

Canadian Commercial Corporation
1-800-748-8191
www.ccc.ca

Alliance of Manufacturers and Exporters Canada
(613) 238-8888
(416) 798-8000
www.the-alliance.org

NorthStar Trade Finance
1-800-663-9288
www.northstar.ca

Western Economic Diversification
1-888-338-9378
www.wd.gc.ca

Canada-B.C. Business Service
1-800-667-2272
www.sb.gov.bc.ca

BC Trade and Investment Office
Tel: (604)-844-1900
www.ei.gov.bc.ca

The Business Link
1-800-272-9675
www.cbsc.org/alberta

Alberta Opportunity Company
1-800-661-3811
www.aoc.gov.ab.ca

Manitoba Trade & Investment Corp.
(204) 945-2466
www.gov.mb.ca

Saskatchewan Trade & Export Partnership
(306) 787-9210
www.sasktrade.sk.ca

Ontario Exports Inc.
1-877-46TRADE (8-7233)
www.ontario-canada.com/export

Atlantic Canada Opportunities Agency
1-800-561-7862
www.acoa.ca

Published by Export Development Corporation

Export wise

January - March 2000

Looking ahead

Trends in five top Canadian export sectors
New horizons for international trade

Export wise

January - March 2000

From the President
Looking forward with conviction
3

Inside Track
EDC goes the distance
4

Industry Watch
Looking ahead
Trends in five top Canadian export sectors
6

Base and semi-manufactured goods
• Exploring new options
• Early initiative yields concrete export sales
7

Automotive
• Staying in the driver's seat
• Autosystems beams products around the globe
10

Forestry
• Branching out to stay competitive
• Jangor makes its mark
• Quality product takes small-town sawmill global
13

Agri-food
• Catering to consumer demands
• Around-the-clock exporter hauls in the goods
17

Information technology
• An era of integration
• Canadian Bank Note makes money and more
20

Focus on Smaller Exporters
Ready to go global?
23

E-Commerce
Inter.net.working:
Canadian Forests; Agri-Food Trade Service; ITAC; APMA; IISI World Steel
24

Y2K progress report:
The millennium is upon us
25

On the Map
New horizons for international trade
26

EDC Listings
Lines of credit/Contacts
32/35

Export News
(Insert)
• EDC reps in Latin America
• New Agri-Food Team
• Environmental initiatives
• New exposure fee system
• Events; Awards; Appointments; Claims

Editor Cathy Lynch (clynch@edc-see.ca)

Editorial Assistant/Desktop Design
[illegible] Chapman (dchapman@edc-see.ca)

Creative Direction & Production
[illegible] & Overall Communications

Film & Printing
[illegible] Group

Contributors
Mark Bolger, Brenda Brown, Deborah [illegible]apman, Maria Forde, Lynn Gauker, A. Ian Gillespie, Julie Harrison, Lyne Hébert, [illegible] Herscovitch, Jean-Marc La Flamme, Chantal Lalande, Cathy Lynch, Tim O'Connor, Patricia Smith, Brenda Stewart [illegible]

Translation
(from Export Wise to Exportateurs avertis)
Maguy Robert and Anne Tanguay

Advisory Board
June Domokos, Françoise Faverjon-Fortin, Ruth Fothergill, Walt Hutchings, Leslie Kenway, Keith Milloy, Maguy Robert, Kurt Rufelds, Mary Van Buren and Jayne Watson

Export Wise is published four times a year by EDC's Corporate Communications Department

EDC 151 O'Connor Street
Ottawa, Canada K1A 1K3
Tel.: (613) 598-2500
Fax: (613) 237-2690
Telex: 053-4136
Internet: http://www.edc.ca

CPC Agreement No.: 1456571

Export Development Corporation (EDC) is the only Canadian financial institution devoted exclusively to providing trade finance services in support of Canadian exporters and investors in up to 200 countries. Founded in 1944, EDC is a Crown corporation that operates as a commercial financial institution.

The editor welcomes letters of comment on articles that appear in **Export Wise** or on events and issues related to the Canadian export industry. Letters may be edited to meet the magazine's style and space requirements.

To contact the editor, call (613) 598-3093 or e-mail clynch@edc-see.ca

All dollar amounts indicated in the magazine are in Canadian dollars unless otherwise specified.

Be sure to visit EDC's Web site at http://www.edc.ca

*L[illegible] également en version française sous le titre **Exportateurs avertis**.*

Looking forward with conviction

A. Ian Gillespie
President and
Chief Executive Officer

EDC's Vision

EDC will be the recognized leader in providing ground-breaking commercial financial solutions to companies of all sizes, helping them to succeed in the global marketplace and create enduring prosperity for Canada.

International trade and investment are a growing business necessity. Rest assured, EDC recognizes that Canadian businesses need – more than ever – relevant and innovative trade finance services, and we are well positioned to help your businesses grow and prosper through international trade and investment.

I am surrounded by the largest pool of trade finance expertise in Canada. Our people are highly trained and highly motivated to meet your needs. And we have the capacity to do so. EDC's sound financial position will enable us to help more Canadian businesses close more international contracts, creating additional jobs at home and ultimately contributing to Canada's enduring prosperity.

Capturing our Vision

Strengthening my conviction is the strong endorsement of EDC's unique business model and strategic direction cited throughout the Gowlings' Report for the EDC Legislative Review. Our balance of public and private sector sensibilities is described by the Reviewers as "a unique blend of commercial culture and entrepreneurial enthusiasm, tempered with a sense of public service responsibility under its Crown corporation skin."

And equally gratifying is that our customers, through the Environics research undertaken for the Review, have given us the proverbial "thumbs up." In so many words, our customers have said, "we value what EDC does and we want EDC to do more." EDC's response? This is our Vision!

A more visible, even more aggressive EDC will be using its mandate to the full extent so that our Canadian exporters and foreign investors will have the capacity to increase their international business and minimize their associated risks. Some of the principal initiatives under way to realize our Vision include more partnership activities, sustaining and growing our market intelligence and enhancing services dedicated to smaller exporters.

More partnerships; more financial capacity

We believe that EDC can play a pivotal role in leveraging our expertise in trade finance to deepen the participation of the Canadian financial services industry in this critical arena. In the year ahead, EDC will actively seek out and create more partnership opportunities that will effectively create more financial capacity for Canadian businesses.

More market intelligence; more options

We heard you, our customers, loud and clear when you told us in the Environics survey that you consider EDC market expertise as a key element in your export success. EDC will not only deepen its emerging market intelligence through the ongoing work of its International Markets, Economics and Risk Assessment teams, but also will establish more on-the-ground representation. EDC is placing permanent representation in Mexico and Brazil in the coming months, in addition to our already established personnel in China.

More successful SMEs; more prosperity

With small- and medium-sized enterprises (SMEs) increasingly seen as intrinsic to Canada's economic growth, you can be sure that EDC is working hard to meet their needs. We are extremely pleased with the Review's positive assessment of our track record with SMEs. Our goal now is not only to provide the most efficient service to our SME customers, but also to find mechanisms that will enable us to reach more Canadian SMEs.

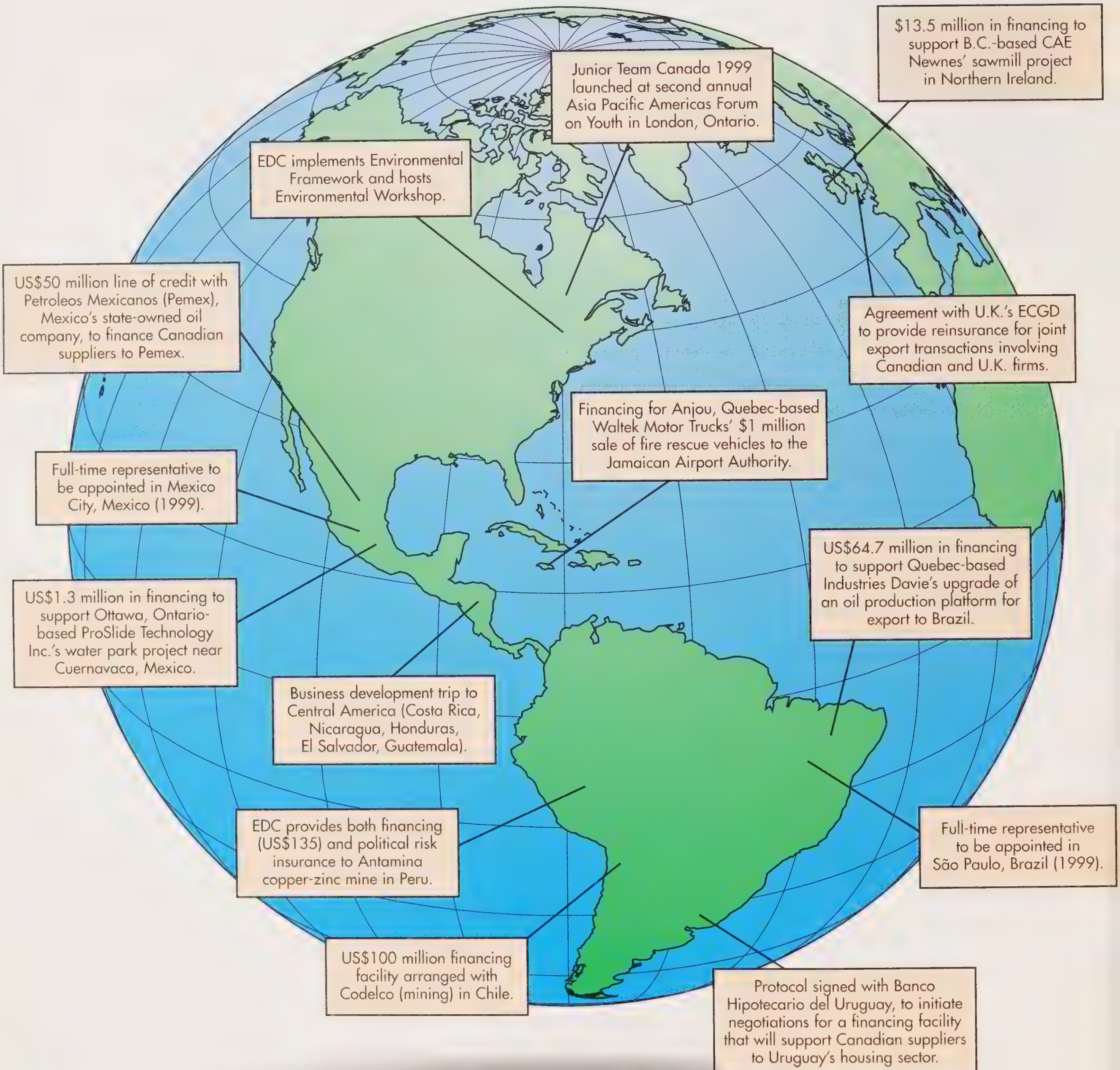
Realizing a world of opportunity

We are proud of our 1999 accomplishments and it is with great anticipation that we look forward to supporting your trade in the new millennium. We are confident that our future partnership initiatives, in-depth market knowledge and world class SME services will bring more capacity, capability and opportunities to you, our valued customers.

By combining the best of public sector practices with the best of private sector methods, we will help Canada realize a world of opportunity.

EDC goes the distance

Globalization is an undeniable trend that continues to gain momentum. While physical barriers to doing business abroad have been virtually eliminated by wireless networks, EDC is doing its part to ease financial and cultural barriers. Depicted here are a few of EDC's undertakings in 1999 to achieve this end, including the appointment of full-time representatives in key foreign markets, participation in trade missions, independent business development trips, partnerships with international financial institutions (see also lines of credit, pages 32-34), plus a sample of the types of deals we have supported for Canadian companies in international markets.




Participated in Prime Minister's business development mission to Ukraine and Poland, then visited Austria.
Business development trip to Germany and Russia.
Full-time representative appointed in Beijing, China (1998).
Participated in Team Canada trade mission to Japan.
Business development trip to Tunisia, Morocco and Côte d'Ivoire.
Participated in the 32nd annual International General Meeting of the Pacific Basin Economic Council in Hong Kong.
Business development trip to Turkey and U.K.
Business development trip to Asia (China, Korea, Hong Kong, and Malaysia).
Supported Junior Team Canada economic mission to Southeast Asia (Thailand, Malaysia and the Philippines).
Business development trip to India and Bangladesh.
Business development trip to Egypt, Syria and Lebanon.
Business development trip to Vietnam.
Business development trip to India and Sri Lanka.
Business development trip to Hong Kong and Singapore.
Business development trip to South Africa and London, U.K.
Business development trip to Zambia, Kenya and U.K.

LOOKING AHEAD

by Cathy Lynch

Canada is at a turning point as we enter the new millennium. We have the skills, resources, and balance of private and public sector support to take advantage of globalization and ensure our continuing prosperity. But we cannot afford to relax our pace.

Indeed, as you will see from the following industry profiles of five top Canadian export sectors, the pace is accelerating across the board. Competition is intensifying; customers are demanding broader ranges of products and better terms; and advances in technology are changing the shape of every sector.

The following profiles look at the base and semi-manufactured goods, automotive, forestry, agri-food and information technology sectors. They outline emerging trends that will affect the way we do business in these sectors during the year 2000 and beyond.

BASE AND SEMI-MANUFACTURED GOODS

Exploring new options

by Brenda Brown

Weak commodity prices and other economic pressures have resulted in slower growth in the base and semi-manufactured goods sector. Faced with a probable decline in export sales, the best bet for exporters is to have contingency plans in place.

Often, it is difficult to make generalized statements or forecast trends concerning the entire base and semi-manufactured goods sector because it covers a broad range of industries, including steel, plastics, rubber, petrochemicals, fertilizers and textiles. However, there are some economic trends affecting most of these subsectors.

"Right now, there is too much supply driving commodity prices down, plus some new players are entering the arena," says Paul Turner, Director for EDC's Base and Semi-manufactured Goods Team. "Added to that are the economic pressures that have been exerted by regions such as Asia, Latin America and Eastern Europe. It's not surprising that growth has slowed throughout the sector."

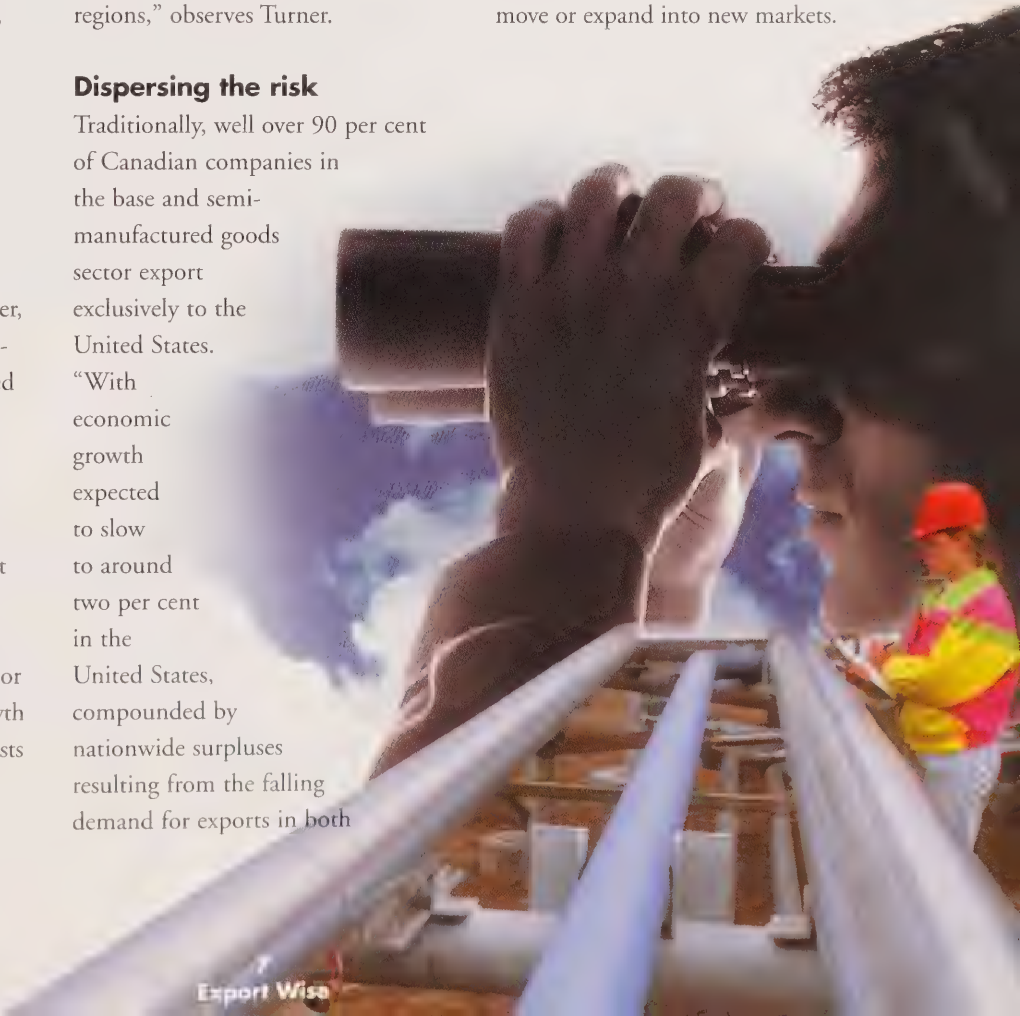
As a whole, the Canadian base and semi-manufactured goods sector is expected to realize a modest growth of 1.7 per cent this year. This contrasts sharply with the 7.6 per cent and 9.2 per cent volume growth experienced in 1996 and 1997, respectively. Furthermore, the situation is not expected to change in the near future. Slower global growth and continued excess capacity will keep commodity prices from rebounding in the near future. With emerging markets and those hard hit by the downturn in the global market attempting to export their way back to economic health, the competitive international environment will intensify.

"In the midst of such volatility, exporters face increased pressure to maintain their presence in existing markets, while expanding into new regions," observes Turner.

Dispersing the risk

Traditionally, well over 90 per cent of Canadian companies in the base and semi-manufactured goods sector export exclusively to the United States. "With economic growth expected to slow to around two per cent in the United States, compounded by nationwide surpluses resulting from the falling demand for exports in both Asia and Latin America, American companies will also be competing more aggressively in their domestic market," cautions Turner.

Some Canadian exporters are already testing new ground. Of the $5.7 billion EDC supported in this sector last year, 52 per cent of export sales were to the United States, Mexico and the Caribbean. Another 25 per cent or more of exports supported were to Asia, and 12.7 per cent went to Europe. This, says Turner, is indicative of EDC's increased appetite for risk, giving companies increased confidence to move or expand into new markets.



However, the fact remains that the North American market is still by far the leading destination for Canadian exporters. This reflects the persistent viewpoint, held by many exporters, that doing business in the United States is relatively risk free. This viewpoint is unwarranted, if EDC statistics are any indication. In 1998, 80 per cent of claims made under EDC's small business program were on deals within North America.

Because of the nature of the industry, more than 98 per cent of customers come to EDC for credit insurance, because it covers 90 per cent of their losses if their foreign buyer does not pay. The insurance policies can also be used to increase leverage at the bank, and they add value for foreign buyers by giving them more time to pay.

"We have structured our team so that we have experienced insurance underwriters specializing in subsectors such as steel and plastics. This expertise allows us to offer value-added service because we know the markets, understand the business our customers are in, and can provide the kind of insurance protection they need," says Turner.

Plastics, steel and chemicals subsectors growing

As a whole, base and semi-manufactured goods accounted for $81.5 billion in exports last year, representing Canada's second largest export sector, and one of critical importance to our economy. Within this sector, last year's top three export subsectors were metals and steel ($26.6 billion), oil and gas ($17.6 billion) and chemicals ($9 billion).

However, the highest growth potential currently lies with the plastics, steel and chemicals subsectors, according to Mike Neals, EDC's Director of Marketing. The plastics industry is growing faster than the overall global economy, says Neals, with Canada providing about 2.1 per cent of the world's total volume, and exporting $4 billion worth. *(Editor's note: See feature story in the Spring/April 1999 issue of* Export Wise.*)*

"Because plastic is strong, versatile and inexpensive compared to other materials, the possibilities for its use are limited only by the imagination. The elimination of tariffs worldwide has opened up opportunities to grow exports to the United States," adds Neals. (The U.S. market currently accounts for 80 per cent of plastics exports.) "Similarly, tariff elimination has opened up opportunities in new markets, particularly South America and China."

The growth areas for plastics are packaging, building materials, components needed for business and telecommunications equipment, and the lucrative automotive market where the use of plastic has risen dramatically since the 1950s.

While the steel industry appears to be experiencing modest recovery in Canada, it is still rebounding from high inventory levels and a decreased demand in its major market, the United States, which accounts for more than 80 per cent of Canadian exports of steel and related products. *(Editor's note: See related story in the Summer/July 1999 issue of* Export Wise.*)*

While Canada is a relatively small player in the world's industrial chemicals industry, accounting for 1.7 per cent of the total estimated value of US$630 billion, companies have responded to the general trend toward globalization. Globally, the industry is currently characterized by multinational enterprises with geographically dispersed facilities. To compete, Canadian plants are restructuring to specialize in specific product lines. "By producing a specialized group of products for the continental market, Canadian plants are able to achieve greater economies of scale and scope," says Neals. "This is allowing them to make inroads in specific market niches, rather than trying to take on the larger multi-nationals."

The growing market for Canada is Asia, with western Canada having a clear freight advantage over its competitors on the U.S. Gulf Coast.

Anticipating and preparing for change

There is no question that the base and semi-manufactured goods sector in Canada has been hard hit by the recent changes in the global economy, concludes Turner. However, EDC's analysis shows that most of the subsectors are showing signs of recovery.

"These continuous downswings, from the recession in Japan and the United States in the late 1980s to the one now being experienced in Brazil and Venezuela, have become part of the economic cycle. Evidently exporters have learned to anticipate and plan for these eventualities."

Early initiative yields *concrete* export sales

Photo courtesy of Xypex

Xypex concrete waterproofing technology was used to treat the walls of the Panama Canal.

by Brenda Brown

Such far-flung landmarks as the Panama Canal, the Ramses Hilton in Cairo and the tomb of the first President of Ghana have all been treated with a concrete waterproofing process developed by Vancouver, B.C.-based Xypex Chemical Corporation.

When J.R.S. Mainwaring founded Xypex in 1969, he defied conventional wisdom, exporting his unique concrete waterproofing technology from day one. This bold strategy paid off. Today, more than 96 per cent of the company's sales are being exported to 65 countries, including the United States, Japan, Korea, Australia and Venezuela.

"Back in the 1960s, companies waited until they were firmly entrenched in the Canadian market before exporting," says D'Arcy Mainwaring, Xypex President since 1983, and the founder's son. "I'm sure some people thought my father was overreaching himself, but history has proven he was simply ahead of his time."

Xypex's solid entrenchment in many of the world's markets has allowed it to weather many of the same global economic crises that felled larger competitors. For example, the company was able to come out of the Asian crisis virtually unscathed, reporting no decline in sales, and is now projecting gains in the year 2000.

Firm footing in Asia

In fact, Japan is a major market for Xypex. Construction of the Seikan Tunnel in 1981, connecting the main Japanese island with the northern island of Hokkaido (the largest undersea tunnel in the world at the time), helped Xypex to establish a firm foothold in this market, and grow from there.

Some areas of the tunnel were leaking and several products had failed to remedy the situation. Kumagai-Gumi, one of the world's largest international construction companies, was the main contractor. It heard about the Xypex technology, a non-toxic treatment that permanently seals the concrete from liquid penetration, and decided to give it a try.

"Kumagai-Gumi was so impressed with our product's performance that one of its associated companies in Tokyo became directly involved in the distribution," says Mainwaring.

Today, there are Xypex dealers and applicators in all of Japan's 47 prefectures and the system is being used by some of the largest organizations in the country, including Mitsubishi Corporation and the Japan National Railways. Six years ago, this group formed the Xypex Association in Japan to encourage the exchange of ideas and technical information.

With much of the world, especially developing countries, actively pursuing infrastructure projects despite downturns in the global economy, the world market for concrete is expected to grow over the next year.

Continuous improvement

"Concrete is the most widely used building material in the world, and with our unique concrete waterproofing system we are ranked as a world leader. But we know we can't rest on our laurels," says Mainwaring. "Our strategy is to invest heavily in research and development so that we maintain our edge."

While the company's primary focus remains the industrial market, Xypex products are also sold through large do-it-yourself retail chains in Canada and the United States, such as Home Depot and Revy.

Mainwaring says EDC's accounts receivable insurance has allowed Xypex to more aggressively pursue larger projects since it took out its first policy in 1981. "The fact that we can pursue this kind of business, and compete effectively against larger companies, without having to worry about the credit aspect, gives us added flexibility and peace of mind," says Mainwaring.

For more information, visit www.xypex.com

AUTOMOTIVE

Staying in the driver's seat

by Toby Herscovitch

Record vehicle sales and a bigger bite of the market for major parts suppliers this year gave the Canadian automotive industry another boost. Many industry players are using EDC support to expand production and further accelerate their global growth.

The number of cars sold in North America was higher this year than it has been in well over a decade. Vehicle sales in the United States alone are projected to reach an all-time high of 16.8 million units in 1999, and Canada also expects a banner year with sales of 1.5 million units. The last time North American consumers purchased anywhere near this number of cars, vans and other vehicles was in 1986.

For Canadians, this shopping spree in North America, and to a lesser extent abroad, will likely translate to record exports of vehicles, equipment and parts valued at approximately $80 billion, according to estimates from the Automotive Parts Manufacturers' Association (APMA). This is up significantly from the 1998 export figure of $75 billion.

Over the past five years, an increasing number of Canadian auto parts, equipment and tooling makers have taken advantage of EDC products and services to help them compete confidently throughout North America and overseas. "We sell the full weight of EDC, not just individual products," notes Craig Wiggins, the team's Relationship Manager. This includes EDC's knowledge of the industry and country markets, as well as its insurance, financing and deal-structuring expertise. EDC has expanded its repertoire from insuring accounts receivables for parts and tooling suppliers, to financing both tooling for parts suppliers and capital equipment for plant expansions in Canada and abroad.

In the industry, original equipment manufacturers (OEMs) are increasing their outsourcing of vehicle parts and key components, according to Gerald Fedchun, APMA President. "Little by little, they are ceding the manufacturing process to major equipment and parts specialists (Tier 1 suppliers), while the OEMs concentrate on strategic planning, overall vehicle design and marketing," he notes.

Changing needs

According to EDC's Automotive Team Leader Walt Hutchings, "This shift has created a greater need for rationalization and mergers among the Tier 1s, as well as the need to conserve capital for expansion of equipment and facilities."

EDC has increasingly been partnering with other financial institutions to provide Tier 1s with capital equipment financing for plant expansions and mergers in Canada or abroad, in situations where the equipment or key components are manufactured in Canada. EDC also offers political risk insurance, especially useful when these capital investments take place in promising emerging markets where political stability is not a given.

In addition, EDC's tooling financing program can step in to cover progress payments to the Tier 1's tooling suppliers. Since tools and molds change as frequently as car

designs change, progress payments are essential to allow tooling suppliers to keep pace. Having EDC make those progress payments allows the customer to conserve funds for crucial capital investments.

As a result of all this activity, EDC's overall export and investment support to the automotive sector has soared in recent years, from less than $50 million in 1995 to an estimated $1 billion by the end of 1999.

Merging into the global fast lane

Most Canadian auto equipment, parts and tooling makers sell to U.S. assembly plants, either directly or indirectly. In fact, about 80 per cent of the production at Canadian vehicle assembly plants is shipped south of the border. Fortunately, the U.S. market is on a roll right now; although a drop in vehicle sales is predicted for 2000, according to Fedchun it will basically mean "a return to normalcy" after 1999's record level.

As far as other global trade opportunities go, Central Europe and Latin America continue to be good performers. "With investments by OEMs in Mexico coming on-line in 2000, and more to follow, Mexico expects a surge in vehicle production of 20 per cent between 1999 and 2000. This growth is expected to top 50 per cent by 2004," says Wiggins, who is also a member of the APMA International Trade and Policy Committee. He adds that, in the past decade, the automotive sector has become one of the first truly international industries. "The major auto makers all have worldwide platforms and expect their suppliers to be able to serve them in whichever country they are located."

Crediting EDC with "an excellent grasp" of the industry, Fedchun observes, "EDC's people spend time with our members, and keep their ear to the ground on where the industry is going. (As one result,) EDC's tooling financing program has been very original and excellent for our Tier 2 and 3 tooling suppliers."

EDC has recently taken its mutually beneficial sponsorship experience with the APMA to the Automotive Industries Association (AIA), whose 1,300-strong membership is concentrated in the aftermarket sector. This includes virtually all suppliers (except vehicle dealers) of automotive parts and repair services for vehicle owners. A recent export outlook study by the association identified some 300 members as exporters and another 200 who see themselves as having an export mandate.

"A lot of our production and service members would like to take advantage of the global market, but in many cases don't fully understand what is available through EDC. We can help EDC showcase its insurance and financing services through special events, trade shows and other activities," says Raymond Datt, AIA President. In turn, EDC has identified a need for short-term accounts receivable insurance by AIA's exporting members.

Whether it is through our credit or political risk insurance, tooling financing or other trade finance solutions, EDC's success with and for the automotive industry is not based on luck. "Our growing success is rooted in understanding the automotive industry, not just in North America, but globally. From that cornerstone we have focussed on listening to our clients' global issues and challenges, then building solutions for them to eliminate or mitigate these issues.

Little by little, OEMs are ceding the manufacturing process to major equipment and parts specialists, while the OEMs concentrate on strategic planning, overall vehicle design and marketing.

"What differentiates EDC from other international financial institutions is that EDC's support has no borders – both geographically and in terms of the types and sizes of companies we assist. We can help a company structure its first investment in a new market just as well as we can lead an international debt syndicate for a large and experienced company," says Wiggins. "That's why our clients keep coming back."

Autosystems beams products around the globe

Photo courtesy of General Motors Canada

by Toby Herscovitch

Lighting is a big factor in automotive safety, with lamp beams more intense and their road patterns more illuminating than a decade ago. Just as the lighting is covering more ground, so too is Canadian lighting exporter, Autosystems Manufacturing Inc.

The Ontario-based company has been one of the pioneers in automotive lamp technology, improving the product's performance, safety and styling. "Headlamps are no longer those round things in automotive parts stores. They're a complete module integrated with the front end of the vehicle," says Don Warren, President and Chief Executive Officer of Autosystems, the only Canadian manufacturer of exterior lighting for the global automotive industry.

Headlamps, along with tail, fog and signal lamps, are also tailored to particular vehicles. The latest styling in headlamps, for example, combines a clear lens and faceted reflector behind it, creating a more sparkly look. The ongoing search for a better beam is one of the strategies that has helped Autosystems successfully compete and grow in a fiercely competitive worldwide market. Another success factor is its export mandate, which has been present since the company began, in 1987.

"We export about 90 per cent of our products. There really are no domestic borders in the automotive industry," says Warren. "Right when we started production, most of our lamps, directly or indirectly, ended up outside Canada." The vast majority continue to go to the United States, but today the company also exports to Mexico and indirectly to Europe.

While Autosystems may not be familiar to many consumers, the vehicles that display its products are. The new GM *Impala* and *Monte Carlo* owe some of their sleek styling to Autosystems lighting. Ford is another big customer. "We supply over four million reflectors a year to Visteon, a division of Ford. So, our reflectors show up on a large majority of Ford vehicles," notes Warren.

Business partners

Being able to shine in this highly competitive world market, however, requires a high level of investment in tooling and new technology. "EDC was able to provide us with a unique credit facility for tooling that conventional lending institutions couldn't offer," says Warren, who met EDC's representative through the Automotive Parts Manufacturers' Association, where he is a director.

EDC's tooling financing provides progress payments to the tooling manufacturer, on behalf of a customer like Autosystems. This in turn tides the parts-maker over the tooling production period until the company is fully repaid by the OEM (original equipment manufacturer).

For Autosystems, this financing program has also been helpful in freeing up capital for new production facilities in Mexico and Brazil, coming on stream in 2000. The investments are in direct response to supply contracts in these locations. "We are discussing with EDC possible support for these investments," says Warren, whose company expects to have a six per cent share of the over $2-billion global automotive lighting market in the new millennium.

For more information, visit www.autosystems.com

FORESTRY

Branching out to stay competitive

by Brenda Stewart

Today's forestry sector is becoming increasingly capital-intensive and knowledge-based, with an emphasis on improved technology. In addition, the intensely competitive global market has prompted Canadian forestry companies to form partnerships and expand into niche markets.

Current trends are reshaping the forestry industry, and Canadian companies need to tap into those changes in order to compete on an international scale, and capture markets for Canadian technology and expertise.

"In the past three years, state-of-the-art technology has become an economic imperative within the forestry sector," observes EDC economist Bryan Gormley. "Rather than giving players a competitive edge, it just lets them stay in the game."

One example of new technology that has made an impact on the industry is turnkey "smart systems" that use laser beam technology to measure logs and determine the best way to cut them. These systems reduce waste, allowing companies to get 20 to 30 per cent more resale fibre out of the same amount of lumber, and to work with smaller logs.

Paper-making technology has also progressed. Before now, the properties of Canadian softwood and tropical hardwood dictated how they could be used, but technology has broadened their usage. Good-quality paper can now be produced from hardwood and other fibres, instead of the premium-quality pine required in the past.

These changes affect the market, because now pulp from tropical woods is carving out a larger piece of the business.

New strategies

To compensate, large Canadian mill owners are forging strategic alliances in other countries – becoming partial owners or setting up shop in Latin America and Asia so they can compete.

"It is essential for Canadian companies to realize that the growth trends are no longer in North America," says Karen Mallory, an Industrial Analyst at EDC.

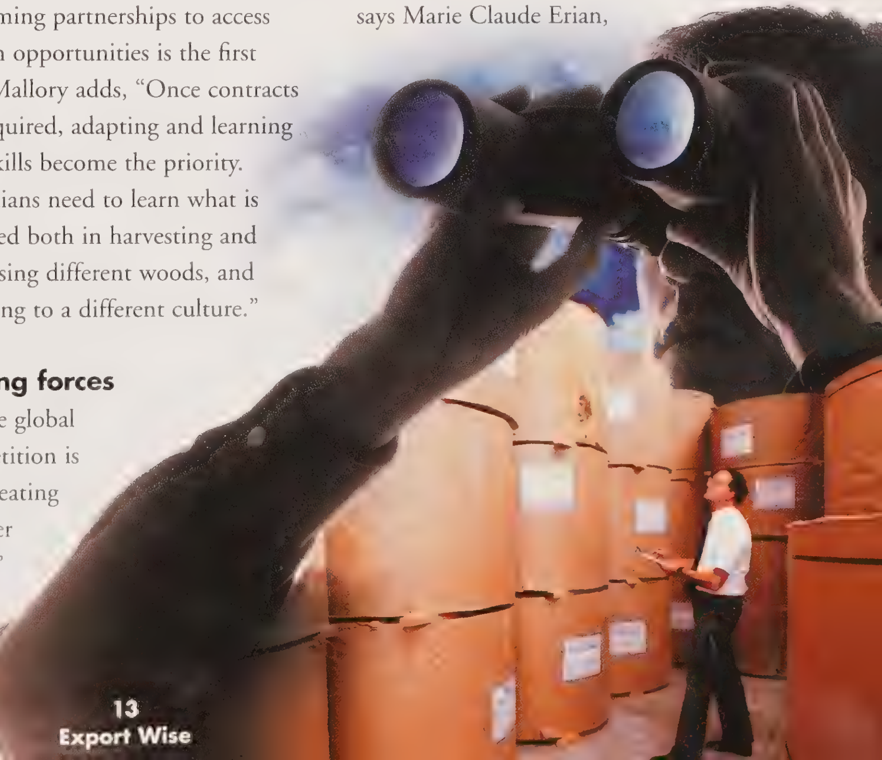
Forming partnerships to access foreign opportunities is the first step. Mallory adds, "Once contracts are acquired, adapting and learning new skills become the priority. Canadians need to learn what is involved both in harvesting and processing different woods, and in selling to a different culture."

Joining forces

Intense global competition is also creating "merger mania" within the industry. "Canadian forestry companies realize they need to be larger and leaner to compete today," says Robin Chabot, a Financial Services Manager on EDC's Forestry Team. "Consolidation enables synergy and improves cost efficiencies."

The same is true of equipment manufacturers and engineering companies. As industry players become larger and concentrate on core competencies in a bid to capture global niche markets, subcontracting is becoming common. This in turn creates opportunities for smaller firms, including those that manufacture niche products and components.

"This situation is similar to the auto sector, where large manufacturers subcontract parts and tooling to other companies. It enables the large companies to compete globally, while maintaining jobs in Canada," says Marie Claude Erian,



a Relationship Manager on EDC's Industrial Equipment Team.

The types of products being manufactured by smaller companies include harvesting equipment and computerized sawmill systems, for export to the United States, Europe, Latin America, China and Indonesia.

Beyond traditional roots

Always a cornerstone of the Canadian economy, forestry now supports more than one million jobs in Canada. In 1998, Canadian forestry sales were about $39.1 billion, making Canada the world's largest exporter of forest products.

Canada's forest land is the largest and most productive in the world, with about 56 per cent of the country's 417.5 million hectares of forest designated for commercial use. Canada produces about 28 per cent of the world's newsprint, 32 per cent of its market pulp and 19 per cent of its softwood lumber.

Equipment is an important aspect of the industry. Canadian ingenuity stands out both in the manufacture of logging, sawmill and loading equipment and in engineering expertise. Success stories include new types of equipment to mount British Columbia's steep inclines to cut trees and technology that enables the use of smaller trees in Quebec.

More changes and challenges

Today, Canada's world-class forestry products and expertise are up against an extremely competitive and volatile marketplace. Lumber, pulp and paper prices swing up and down in vicious cycles.

The United States is Canada's top destination for forestry exports, accounting for 86 per cent (followed by Japan and the European Union). In the past few years, U.S. market fluctuations and trade disputes over softwood lumber have put a strain on relationships between suppliers in British Columbia and the United States. This past year, the August agreement put a cap on exports, and hiked the tariff by almost 50 per cent. The increase virtually deprived exporters of the option to pay the penalty and ship additional lumber to take advantage of lucrative U.S. demand.

Pulp mills in Canada are facing intense competition from foreign mills with fast-growing tropical plantations and low-cost labour, as well as the volatile market prices. In the long term, unprofitable smaller mills are expected to give way to huge ultra-modern mills that can turn a profit.

New business options

In the first nine months of 1999, EDC supported close to $7 billion in forestry sales. While most forestry customers rely on EDC for accounts receivable insurance, more of them are looking at using bonding and contract insurance or financing as well.

Short-term insurance serves to protect exporters against non-payment of their receivables, and can also be used as leverage to negotiate better financing and rates with the banks. By selling its EDC-insured receivables to the bank, an exporter can obtain payment up front, which improves cash flow and also takes the receivables off the balance sheet.

Insurance can also help with contract bonding. When EDC insures the bank, the bank is able to issue a letter of guarantee for 10 per cent of a project, and release funds that it would normally freeze to issue the letter.

In terms of financing, EDC offers custom financing products designed to improve the cash flow of smaller firms that manufacture tooling and parts. Most often, small manufacturers cannot afford to wait for payment until the contract is complete, and EDC can provide progress payments to bridge that financial gap.

EDC also frequently works with other financial institutions on joint financing packages that help Canadian exporters compete. Recently, EDC contributed $15 million toward a $250-million financing deal for the acquisition and modernization of the Papier Masson Ltée. newsprint mill in Masson, Quebec. The plant's new ThermoMechanical Pulp (TMP) process will reduce production costs and improve product quality, according to Erian. The financing will help maintain $140 million worth of newsprint export to the United States, plus support Canadian suppliers involved in the project.

"The forestry sector is changing and EDC has the flexibility to meet those changing needs," says Erian. "EDC is continually working with banks, producers and manufacturers to find different ways to lend support and ensure enduring prosperity for Canada."

Jangor makes its mark selling Canadian ingenuity

by Brenda Stewart

Exporting was part of Jangor's business policy even before it had identified its markets — or its products.

Photo courtesy of Jangor

Jangor Corporation brought Heartwood portable sawmills into Honduras to fill a market need.

Sawmills and business are in the blood of Jangor President and founder Keith Gordon. He has happy childhood memories of spending time at his grandfather's sawmill west of Ottawa. So, rather than opting to retire seven years ago, he decided to use his business development experience to found an export business. That business is Jangor Corporation, based in Hull, Quebec.

Gordon did his homework before all else. The business began with trips to South and Central America to understand the culture. He also did business viability studies with the support of CIDA Inc., explored the possibility of joint ventures, and investigated organizations that could help, such as EDC. This was a five-year process, further complicated by hurricanes and recession.

Finding a niche

Eventually, Gordon's quest led him to examine the forestry business in South America, where he identified a need and set out to fill it. On one of his visits to Honduras, he noticed the mill was located about 200 miles away from the forest. Gordon scoured Canada to find the perfect solution and located a portable sawmill made by Heartwood Saw Co. Ltd. in Belleville, Ontario. "It's a unique, state-of-the-art product that can do everything a larger piece of equipment can do, but it's smaller and it's portable," he explains.

Export tools

In the past three years, the firm has used EDC products to help it close sales in Honduras and Costa Rica. In 1999, Jangor sold two sawmills in Colombia, and the firm has plenty of other sales in the works. "I found out that you can't do anything in high-risk markets like Honduras if you don't have EDC financing and insurance," says Gordon. "While the demand is there, creditworthiness can be a problem and EDC is able to check out potential buyers and offer protection."

Gordon says EDC's financing provides a critical business advantage. "I don't think we would have sold one sawmill without EDC support," he adds.

As Julian Deschatelets, a Financial Services Manager in EDC's SME Services Group, explains, "EDC financing can be a good marketing tool, because it enables exporters to offer better payment terms to foreign buyers. Consequently, they are often able to sell a greater volume of the product to one buyer – instead of shipping one at a time." This was the case for Jangor, as it was able to sell two sawmills in Honduras initially, and another 10 later on.

Essentially, EDC finances the foreign buyer by purchasing promissory notes from the exporter. Thus, the exporter gets immediate payment for the sale, somewhat like a cash sale, and EDC assumes the repayment risk until the notes mature.

About 90 per cent of EDC customers are small or medium-sized businesses that need to access financing simply and cost-effectively, says Deschatelets. "That's why EDC offers a special streamlined product with minimum paperwork and quick turnaround."

As it pursues more South and Central American opportunities, Jangor is ready to hit the road with other Canadian products such as equipment to kiln dry lumber. Gordon says EDC products will be an essential part of its toolkit in future ventures.

For more information, call (613) 595-6776.

Quality product takes small-town sawmill global

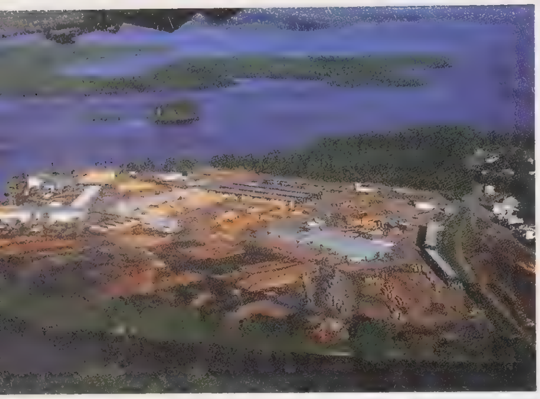


Photo courtesy of Davidson Industries

Davidson Industries' red and white pine sawmill operation exports more than 80 per cent of its products.

by Brenda Brown

Sawmill operators in Davidson, Quebec discovered the hard way that they could not afford to sacrifice quality for quantity. Back on solid footing, the sawmill now exports more than 80 per cent of its world-class products to countries around the globe.

"When a mill closes down, the town usually dies with it," says Marcel Belair, a long-time resident of Davidson, Quebec, and Vice-President, Operations for the Davidson Industries red and white pine sawmill operation. Though the sawmill has a world-renowned reputation as a producer of quality products for more than 70 years, both the mill and the town had a brush with disaster about a decade ago.

"We were thrilled when a firm bought out the mill in the late 1980s and then invested over $5 million to modernize our operation," recalls Belair. This excitement soon turned to concern when Davidson residents, about 80 per cent of whom were employed by the mill, saw that quality was being sacrificed to increase productivity.

"In an effort to recoup the investment costs, we were producing on three shifts which led to record-high inventories. The company had a sales force with little experience selling pine and, because we were glutting the market, we were forced to drop our prices. Then the inevitable happened – bankruptcy."

Belair, who started as a general labourer at the mill in 1966, was the plant manager at the time. "The trustees left me with a few people from accounting to try to sell the inventory, which included enough logs to run the mill for a year."

Reinstating quality

Belair adds, "Rather than selling off our heritage piece-meal, we convinced the trustees to let us run one shift a day using the most experienced employees, to prove that the mill was viable. Within days, we were running at maximum capacity, producing a quality product."

The irresistible combination of a modern plant, an experienced workforce and a product known for its quality was too good for Davidson Industries Inc. to pass up. It bought the mill in 1993, promoted Belair to Vice-President, Operations, and never looked back.

"We immediately saw the potential," says Louis Campeau, Davidson's Chief Executive Officer. "We understood that to be successful we had to get back to basics. That meant putting quality first."

Within two years, Davidson became the first independent sawmill in Eastern Canada to earn its ISO 9002 certification. "This wasn't required by the marketplace, but we wanted to put strict internal procedures in place as a symbol of our commitment to producing world-class products every time."

Expansion followed

This quality-first strategy has paid off. Today, the company has added a new hardwood flooring operation in Davidson, acquired one other sawmill in Woodsville, New Hampshire, and is building a mill in Chile.

Davidson has sales offices in Canada, the United States, England and Ireland and exports more than 80 per cent of its products to the United States and countries in Western Europe, including Germany, Holland, France and England. It also plans to use its new plant in Chile to expand exports to Asia.

"Another major reason for our success is that we are constantly building on our marketing expertise as well as our manufacturing expertise," says Campeau. "For companies such as ours to grow, you can't be good at one and not the other. It has to be a balanced approach."

Campeau says using EDC's accounts receivable insurance allows the company to aggressively pursue new business, while protecting itself against bad debts. He adds, "We consider insurance to be a reasonable cost of doing business."

For more information, visit www.davidson-ind.com

AGRI-FOOD

Catering to consumer demands

by Cathy Lynch

Changes in lifestyle, demographics and even current issues are having a significant effect on consumer demands in the agri-food sector. In turn, industry players are faced with the challenge of meeting those demands and capitalizing on the opportunities they can yield.

For insight into *how* consumer demands are influencing the agri-food sector, take a look at the beverage sections in your grocery store. Juices alone come in a mind-boggling assortment of packaging, flavours, and "real fruit juice" content levels. The same diversity occurs in soft drinks, dairy beverages and even bottled water. This product diversification is happening not just in the beverage subsector but across the board in the agri-food industry.

For insight into *why* consumer demands are changing, take a look at today's society. Certainly lifestyle changes are having an effect. For example, the increasing number of two-career families is prompting increased demand for convenience foods. The higher incomes associated with those two-career families also mean they can afford to make qualitative demands, so product differentiation comes into play (i.e. a certain image associated with a given product; witness lifestyle advertising for various brands of beer).

Qualitative demands also include diversification in the way food is prepared and packaged. For example, seafood exporters ship seafood in a wide array of formats, from fresh filets, to frozen, canned, smoked or vacuum-packed portions. There is also more requirement for value-added or "gourmet" products, spiced and flavoured in seemingly endless variety.

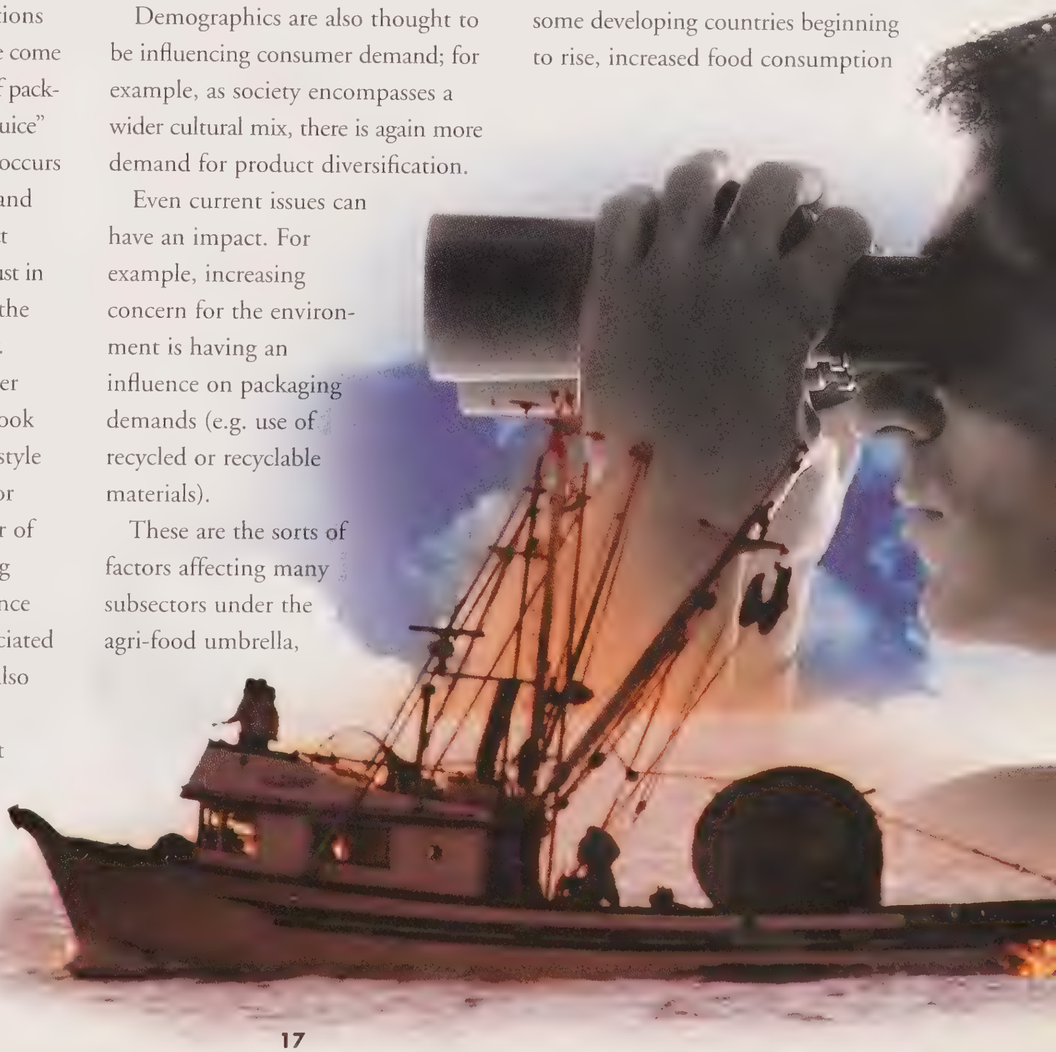
Another lifestyle change emerging in society is a growing focus on health and nutrition, which is prompting increased demand for low fat, low sodium, low calorie foods.

Demographics are also thought to be influencing consumer demand; for example, as society encompasses a wider cultural mix, there is again more demand for product diversification.

Even current issues can have an impact. For example, increasing concern for the environment is having an influence on packaging demands (e.g. use of recycled or recyclable materials).

These are the sorts of factors affecting many subsectors under the agri-food umbrella, such as meat and seafood, beverages and spirits. They are particularly prevalent in North America, a good market to take into account since more than half of Canada's agri-food exports go to the United States, and the U.S. market will likely remain the most important export destination for the sector.

However, the U.S. market is not the only market worth studying. Other current markets for Canadian agri-food exports include Japan, the European Union, China and Mexico. In addition, with income levels in some developing countries beginning to rise, increased food consumption



and changes in demand can be expected to follow in those markets.

"Consumers are driving the industry," comments Irene McNeely, a Financial Services Manager with EDC. "As their tastes become more and more sophisticated, Canadian exporters are specializing so they can meet specific customer needs. And EDC, in turn, is specializing to reflect industry trends."

Agri-food is not only one of Canada's top five industries and the third largest employer in Canada; it is also a top export industry. In 1997, agri-food exports surpassed $22 billion; in 1998, the figure was more than $24 billion, and 1999 figures are projected to meet or exceed 1998 export figures. Not surprisingly, support for Canada's agri-food industry remains a priority for government and business partners.

Finding new markets

McNeely says, for some exporters, specialization involves identifying and targeting a specific niche for their product. For example, exporters of meat and processed foods might expand into newer markets in developing countries, such as Asia and Latin America, where demands for those types of agri-food products are rising as a result of increasing income levels.

For other exporters, it is a question of diversifying their products to accommodate specialized requirements for convenience, preparation or packaging; again, it becomes essential to have one or more specific target markets in mind, though they may be identified according to lifestyle or demographics rather than geography.

In still other cases, specialization might mean looking at the way the product is being delivered, and finding ways to accommodate demands for fresher products or "just-in-time" delivery requirements.

A "bite-sized" approach

In response to these industry trends, EDC is reorganizing its staff to allow for greater specialization in terms of industry expertise. Formerly encompassed by the Consumer Goods Team, the agri-food sector is now handled by EDC's newly formed Agri-Food Team.

To ensure it keeps pace with industry trends, the new team is handling the industry in bite-sized chunks. "We're not only looking at groupings like seafood, grains or processed foods," explains McNeely, "but also we're breaking it down further. Within processed foods we now have people who have a specific focus on beverages, like fruit juices, wines or beer. Others will handle dairy as a subsector of processed foods."

She explains that by specializing in specific subsectors, EDC gets to know the industry players. In addition to being familiar with its customers' products and requirements, the team has become familiar with many of the active buyers. "Knowing the players is a great help when analyzing risks on behalf of our customers," adds McNeely.

Working with a more focused mandate, team members are devoting more time to talking to people in the industry, discovering trends, and building relationships that will enable them to better service agri-food exporters.

Consumers are driving the industry. As their tastes become more sophisticated, Canadian exporters are specializing.

McNeely says customer requirements are already changing. In response, EDC now offers more flexible insurance coverage; in cases where exporters want to take on a bigger portion of the risk, EDC will tailor a policy to cover only the types of losses the exporter wants insured.

Financing is also emerging as a requirement within the sector, she adds. EDC recently financed the building of a warehouse in Jamaica, to enable a food trader to store products on-site for quicker delivery.

"More companies are getting into joint ventures, expanding into other markets, and looking for foreign investment," says McNeely. "There are many areas where EDC can help, based on our industry expertise, our expertise and contacts in international markets, and our extensive experience in deal structuring."

A Supplement to **Export Wise**

Export news

EDC to appoint representatives in Latin America

by Lyne Hébert

To continue to be a leading partner with Canadian businesses in international trade, EDC recognizes that it must have a greater presence in selected foreign markets. To this end, EDC will appoint permanent representatives in both Mexico and Brazil, effective early in 2000.

EDC's representative in Mexico City will be responsible for business development in Mexico and Central America. Our representative in Brazil, based in São Paulo, will focus on developing business relationships and partnerships throughout Brazil.

EDC's decision to appoint Latin American representatives was announced by Mike McLean, EDC's Vice President, Latin America, at the Fifth Americas Business Forum held in Toronto in November. He said, "EDC is committed to establishing a stronger business presence with the local business communities, and is working to create a highly favourable business climate for Canadian firms seeking opportunities in these markets."

Latin America represents an ongoing strategic priority for EDC. In 1998, Canadian two-way trade with Latin America exceeded $18 billion; EDC supported about 65 per cent of all Canadian exports. "World economic growth should reach about 3.5 per cent in 2000," observed Stephen Poloz, EDC's Chief Economist. "Latin America should do somewhat better than this, achieving growth rates of around four per cent on average across the region."

This initiative will enable EDC to further develop market insights and relationships, and to help create trade opportunities for Canadian and Latin American businesses.

EDC forecast: Canadian exports to grow in 2000

by Rod Giles

Stronger world economic growth, firmer commodity prices and a more moderate pace of expansion in the United States will result in continued growth of Canadian exports next year, according to EDC's export forecast, released in November.

"We expect overall Canadian export sales to grow between six and eight per cent next year," says EDC chief economist Stephen Poloz. "And this growth should be achievable for exporters in all regions of Canada and into all of Canada's major export markets around the world."

Export growth in 1999 will be about 12 per cent, driven almost entirely by strong U.S. demand. Two thirds of the increased sales are due to higher automotive and parts exports, something Mr. Poloz says is "clearly not sustainable." Exports excluding autos are up by less than six per cent in 1999, and many sectors are seeing declines.

For a copy of EDC's export forecast, visit our Web site: www.edc-see.ca

Making the environment a priority

by Lynn Gauker

Earlier this year, EDC developed an Environmental Review Framework that formalizes and strengthens its environmental review practices for projects it supports, and clearly articulates its guidelines and philosophy. Since taking that important step, EDC has continued to build on the Environmental Review Framework, through the following initiatives:

Allocating more resources to help Canadian companies export environmental technologies and services. "EDC trade finance services have been used by Canadian companies in the environmental technologies and services sector to conclude more than $600 million in export sales since 1995," says EDC President and CEO, A. Ian Gillespie. EDC aims to increase this growing trend, supporting both stand-alone environmental exports and those encompassed by resource projects.

Joining the Canadian Environmental Industry Association's (CEIA's) provincial chapters. "By giving talks at various CEIA functions, EDC is educating companies in the environmental sector about how the Corporation can help them export and boost their export sales," says Robert Kengis, EDC's Civil Works and Professional Services Team Leader. Earlier this year Lisa Parker, an EDC Business Development Manager, participated in the Ontario Government's and (Ontario) CEIA's trade mission to Mexico, furthering the relationship between EDC and Ontario's environmental sector.

Signing the United Nations Environmental Program Statement by Financial Institutions on the Environment and Sustainable Development. "The goal of the UN statement is to generate a constructive debate among commercial and investment banks, venture capitalists, insurance and reinsurance entities, multilateral development agencies, asset and risk managers and environmentalists," says Kengis. "It also aims to foster private sector investment in environmentally sound technologies and services."

Participating in Globe 2000, March 22-24 in Vancouver. This biennial conference and trade fair focuses on developing the environmental business sector. More than 10,000 individuals representing some 500 corporations are expected to participate. EDC will host an environment industry breakfast on March 24, and will sponsor 10 sessions centred around the theme "Global Markets for Environmental Solutions II."

Environmental workshop held last fall. Geared toward export credit agencies and international finance institutions, this workshop was designed to bolster participants' understanding of technical issues surrounding environmental risk assessment.

According to EDC President and CEO, A. Ian Gillespie, "EDC will continue to take a leadership role on environmental issues by advocating and promoting best practices among those with whom we do business, an approach that is consistent with our corporate values and philosophy."

EDC launches Agri-Food Team

by Cathy Lynch

Canada's agri-food sector is changing to accommodate consumer demands for greater product diversity (see "Catering to consumer demands" on page 17). To better support its agri-food customers who are striving to meet these new demands, EDC is realigning some of its staff to form an Agri-Food Team.

A subsector of EDC's Consumer Goods Team since its inception in 1995, agri-food has since grown in terms of business volume, customer base and product diversity, to the point of warranting a dedicated Agri-Food Team.

In response to the trend toward increasing product diversity, Financial Services Managers on the new Agri-Food Team will each handle fewer subsectors, allowing for greater specialization. According to Keith Milloy, EDC's Short-Term Insurance Team Leader, "By tackling the agri-food sector in manageable chunks, team members will be able to focus on building in-depth knowledge and closer ties with key industry players." The decision to form the new team was announced in October 1999.

Fueling Canada's engines

by Deborah Chapman

"Youth and young entrepreneurship are among the primary engines driving the evolution and development of small- and medium-sized businesses in Canada today," said EDC President and CEO, A. Ian Gillespie, at the Young Entrepreneur Awards ceremony held in Quebec City during October.

"Not only is this engine turbo charged with unbridled optimism and a passion for innovation, but also it is rechargeable, recyclable, requires no special fuels and is environmentally friendly," said Gillespie.

The Young Entrepreneur Awards ceremony was held at the launch of Small Business Week 1999. The awards program recognizes young entrepreneurs from each of the 10 provinces and three territories, for their operating success, innovation, and community involvement.

For the fourth consecutive year, EDC had teamed up with the Business Development Bank of Canada to present the Export Achievement Award, recognizing the growth and achievement of young entrepreneurs.

EDC would like to congratulate this year's Export Achievement Award winners Ariel Shlien, President, and Ron Shlien, Executive Vice-President, of The Mad Science Group. Brothers Ariel and Ron have sparked the imagination and curiousity of children everywhere by providing fun, interesting and educational activities that instill a clear understanding of science and how it affects the world around them.

This year, The Mad Science Group generated more than 90 per cent of its sales outside Canada and established an active franchise network around the world. It also posted a growth rate of more than 100 per cent per year over the past three years.

"As part of our Education and Youth Employment strategy, EDC is committed to supporting our business leaders of the future by recognizing their achievements," says EDC's Mary Grover-LeBlanc, Director, Corporate Representation. "This year's winner embodies the fusion of technology and learning that is essential to today's increasingly competitive global economy."

EDC launches user-friendly exposure fee system

by Patricia Smith

October 1 marked EDC's introduction of a new exposure fee system that no longer requires Canadian exporters to pay. EDC will now price all financing proposals to potential borrowers to include exposure fees, therefore Canadian exporters will no longer need to include the fees in their commercial proposals. This will simplify commercial negotiations for Canadian exporters, allowing them to focus on providing timely and competitive commercial proposals, while EDC handles all aspects of the financing.

As in the past, exporters will be able to obtain exposure fee estimates from EDC at an early stage as they approach their transaction. These estimates will continue to be determined in accordance with the country risk and exposure period involved.

The new EDC system was designed to be fully compliant with the OECD benchmarks established last spring.

Hats off to 1999 CEA winners

EDC salutes this year's winners of the Canada Export Awards. These and special related awards were presented by the Honourable Pierre S. Pettigrew, Minister for International Trade, at a ceremony held in Toronto in the fall. Congratulations to:

Avant-Garde Engineering, on winning the *CIBC Job Creation Achievement Award*. A manufacturer specializing in the design, production and distribution of hydraulic platforms, Avant-Garde is based in L'Assomption, Quebec.

Diagnostic Chemicals Ltd., *Canada Export Award* winner. Based in Charlottetown, Prince Edward Island, Diagnostic Chemicals researches, develops and manufactures products primarily for the life science market.

Dominion Veterinary Laboratories Ltd., *Canada Export Award* winner. This exporter is western Canada's largest manufacturer and distributor of veterinary pharmaceuticals and instruments, and is based in Winnipeg, Manitoba.

Douglas & McIntyre Publishing Group, *Canada Export Award* winner. A publishing company for Canadian writers and artists, Douglas & McIntyre works out of Vancouver, British Columbia.

Nanometrics Inc., winner of the *Innovation and Technology Award*. Based in Kanata, Ontario, Nanometrics is a Teleglobe manufacturer and installer of turnkey seismic networks.

Rainbow Farms Ltd., *Canada Export Award* winner. This exporter grows and harvests wild blueberries out of Upper Rawdon, Nova Scotia.

Schulte Industries Ltd., winner of EDC's *Smaller Exporter Achievement Award*. Based in Englefeld, Saskatchewan, Schulte Industries manufactures a diverse range of equipment for the farm, industrial and commercial sectors.

SNC-LAVALIN Group inc., winner of a *Lifetime Achievement Award*. This exporter is a world leader in engineering and construction, based in Montreal, Quebec.

Viceroy Homes Ltd., winner of the *Exporter of the Year Award*. Based in Port Hope, Ontario, Viceroy is a leader in pre-engineered housing and Canada's leading exporter of housing technology.

Wentworth Technologies Company Ltd. *Canada Export Award* winner. This Mississauga, Ontario firm is Canada's largest independent mould manufacturer for packaging and automotive industries.

The Canada Export Awards program is managed by DFAIT in close cooperation with the four corporate sponsors, CIBC, Teleglobe, Maclean Hunter Ltd and EDC. A sponsor of the CEA program for the past four years, EDC is an active partner to many award recipients.

EDC recognized for work with women entrepreneurs

by Deborah Chapman

In October, EDC received a prestigious award from Ambassador Raymond Chrétien in recognition of its outstanding leadership as a sponsor of the Canada/U.S.A. Businesswomen's Trade Summit.

"The contributions made by EDC, both to the Trade Summit and to the Canadian Women's International Business Initiative, do make a difference," says EDC Regional Vice-President Ruth Fothergill. "It is important that EDC be willing to step forward early and assume the lead in connecting and educating this new and fast-growing exporter segment. As an organization focussed on creating Canadian capacity in international trade, that's our job."

The Ambassador's Award was presented at the Canadian Embassy in Washington, D.C., in conjunction with the Businesswomen's Trade Summit held in October. Accepting the award on EDC's behalf, Fothergill said, "We are proud to be part of this opportunity to help serve and accelerate the growing success of Canadian women entrepreneurs involved in international business."

Founded in 1997, the Canadian Women's International Business Initiative works with women entrepreneurs wishing to increase their international business activities. It relies on the support of sponsors such as EDC who partner with the embassy.

Stephen Poloz

EDC appoints new Chief Economist

EDC is pleased to welcome Stephen Poloz as Chief Economist. His extensive experience as an economic and financial professional includes senior positions as Managing Editor of *The International Bank Credit Analyst* with the Bank Credit Analyst Research Group in Montreal, and Chief of the Research Department with the Bank of Canada. While with the bank, Poloz was a member of the Monetary Policy Review Committee and its Management Forum. He was also a visiting scholar at the Economic Planning Agency in Tokyo and with the International Monetary Fund in Washington.

EDC appoints new board member

EDC is pleased to welcome Dennis Wood to its board of directors. Since 1987, Mr. Wood has been Chairman, President and Chief Executive Officer of C-MAC Industries Inc., the parent company of a multinational industrial group in the field of state-of-the-art electronics. Through its subsidiaries, C-MAC has 4,000 employees and operates 26 high technology plants around the world.

Dennis Wood

Team Canada brings home multi-million trade deals from Japan

by Cathy Lynch

A Team Canada trade mission to Japan this past fall culminated in the signing of $409 million in trade deals for Canadian firms, during a ceremony in Tokyo.

"Team Canada has demonstrated once again that it is an effective way to help Canadian exporters succeed in the global marketplace by showcasing the best we have to offer," said Prime Minister Jean Chretien, who led the mission. A majority of the deals signed were in the information technology sector.

EDC participants in the mission were A. Ian Gillespie, President, and Rob Simmons, a Regional Manager in International Markets. "The relationships we build through trade missions and foreign market visits ultimately help pave the way for our customers who want to export or invest overseas," said Simmons.

Claims Paid

January 1, 1999 – October 31, 1999

Companies	511
Claims	1,369
Cdn $ Total	$122,246,032
Export Markets	**Count**
Africa & Middle East	12
Asia & Pacific	36
Europe	146
South America	32
U.S.A. & Caribbean	1,143
Risks	**Count**
Default	1,005
Insolvency	313
Call of Bond	16
Repudiation	19
Political and Transfer	13
Termination of Contract	2
Import Permits	1
Payments	**Count**
Under $5,000	617
Between $5,001 and $100,000	625
Between $100,001 and $1 million	103
Over $1 million	24

Around-the-clock exporter hauls in the goods

by Lynn Gauker

For Rodger Cameron, being an entrepreneur means being on call 24 hours a day. Cameron exports to some 10 countries around the world, thus deals with a wide variety of time zones. "There's a lot of competition in this industry today, so you have to provide a really good product and service, and be available to customers 24 hours a day," he says.

Since 1992, Cameron has been the proud owner of Cameron Seafoods Ltd., a lobster and snowcrab exporting business located in Hall's Harbour, Nova Scotia.

On a typical day, Cameron changes hats frequently. During lobster hauling season, he is up at 3 a.m. to make his overseas phone calls to customers. By 5 a.m., he is on his boat, where he alternates between hauling traps and trying to clinch new deals on the phone. Nine hours later, he is back on land, taking care of administration. Later in the evening, he can sometimes be found helping his wife at their seafood restaurant, Hall's Harbour Lobster Pound.

Cameron admits that, while he loves what he is doing, his career comes with a price tag: long hours and constant vigilance over his high-end product, suppliers and customers. "It's a very unique job, because you're dealing with a live animal with a short shelf life," says Cameron. "It's not like you're dealing with a bag of chips or a box of Kraft Dinner.

"It's a very, very high-priced commodity. If you don't take care of it, you won't be in this business very long," he adds. "You have to be reflective, constantly checking the quality of your lobster and your suppliers."

Keeping a close eye on potential customers is also paramount to Cameron Seafoods' success. "When I started the business in 1992, it was strictly a lobster-buying operation, and I sold within Canada only," says Cameron. "Today, I catch lobster myself, and buy and resell snowcrab. As well, I've been exporting since 1995."

While exporting has contributed significantly to his company's bottom line, Cameron says there are definite risk factors involved. "I went through two years without EDC coverage for my business – it was an eye-opening experience," he admits. At one point, his company lost $16,000 when a buyer defaulted. "That may be a pittance for some people, but when you're starting a business from the grassroots, knowing that every penny you earn has to go back into the business, you equate a $16,000 loss with four to five weeks of very hard fishing," he says. "And, there's no real way to recoup the money."

After that experience, Cameron obtained a Global Comprehensive Insurance Policy from EDC. "So that I could sleep at night again," he explains. This type of policy protects exporters against both commercial and political risks inherent in export sales made on short-term credit.

"Last year, EDC agreed to insure us against a buyer based in London, England," says Cameron. "Now we've become that buyer's sole supplier, because we gave them credit when nobody else would. They built their business back up because they took me on as a supplier."

On a separate occasion, when Cameron Seafoods submitted an insurance claim to EDC, Cameron was extremely pleased by the response. "EDC took care of my claim quickly," says Cameron. "EDC's people are always looking out for their customers."

Today, Cameron credits EDC with a good part of the company's increase in exports sales, which have ballooned from $3 million last year to a projected $5 million by the end of this fiscal year.

For more information, call (902) 680-6735.

Photo courtesy of Cameron Seafoods

INFORMATION TECHNOLOGY

An era of integration

by Julie Harrison

Globalization and information technology (IT) are the great Siamese twins of the 21st century. Intrinsically linked, neither twin can advance without the other. Wide-sweeping liberalization of trade and investment would not be feasible without advanced technology, and IT companies in turn rely on trade.

Global economic activity is becoming increasingly integrated, as is technology. The convergence of voice, video and data networks, for example, are driving some important acquisitions by industry leaders in order to acquire the full range of expertise required for the networks of the future. Witness Nortel Networks' 1998 merger with U.S.-based Bay Networks, and Lucent's recent purchase of Ascend Technologies (both U.S. companies). A parallel race is also at full speed to develop the superior wireless technology.

The continual merging of technologies to create a faster, cheaper, easier process most often results in an entirely new technology. Known as the 1 + 1 = 3 phenomenon by some high-tech pundits, this is happening not only with products, but also entire institutions. This is why we have grocery stores that are banks; computer terminals that are shopping malls; and traditional production factories that are IT inventors. *(Editor's note: see story on Canadian Bank Note Company, page 22.)*

The race to innovate

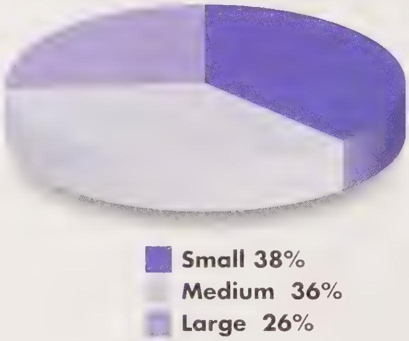
In the IT marketplace, where worldwide revenues are projected to exceed $3 trillion by the year 2000, innovation has become a critical force in a country's ability to generate wealth.

According to Industry Canada, "The only really reliable corporate advantage in an information economy is the ability to collect, process and digest information to continuously create innovations."

This intense pressure to innovate is compounded by the ever-important "time to market" which often determines the success or failure of a product. It is not enough for Canadian IT companies to develop an effective new technology; they must also get it to market before the competition, and develop a user base.

For most companies, the competitive situation is "do-or-die." The number of start-up IT firms is high, and the number of failures is proportionally higher than in many other sectors. Exporting is commonly used by IT firms as a means to spark rapid growth – Canadian IT companies commonly export 90 per cent of their output – therefore accounts receivable insurance is an essential element to cushion the risks in this often volatile industry. Accounts receivable insurance can also be used to help grow a business when used as leverage with the banks, allowing exporters to more readily take advantage of market opportunities.

EDC's IT Customer Base



Generating Growth

Canada can be proud of its IT accomplishments to date. More than 75 per cent of the world's Internet traffic is carried on Canadian-made

equipment manufactured by Nortel Networks, Newbridge Networks, and JDS Uniphase. EDC's IT Team continually strives to improve support to these customers and others in the lucrative, yet fiercely competitive IT arena.

ATI Technologies Inc. of Thornhill, Ontario, is a case in point. ATI exports 97 per cent of its output and has achieved remarkable success, holding 25 per cent of world market share for graphic chips. Its net sales have grown from $221 million in 1993, the year it went public, to $360 million in 1995 and $1.2 billion in 1998. During the past 10 years, all of ATI's export receivables have been backed by EDC insurance. In addition, EDC has encouraged ATI growth by expanding the company's buyer credit limits during high-growth periods.

Establishing footholds in emerging telecommunications markets

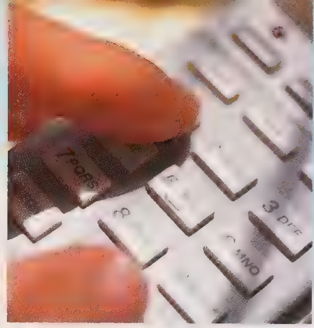
In 1999, more than 70 per cent of Canadian telecommunications equipment exports will have gone to the United States. The deregulated U.S. telecommunications industry is a fiercely competitive environment in which to showcase and prove the latest in technological innovation and new application development. As such, it is a critical market for Canadian technology because it sets trends and standards that will be replicated around the world.

Deregulation and competitive liberalization in telecommunications industries around the world are now also creating tremendous opportunities for Canadian exporters.

In the IT marketplace, innovation has become a critical force in a country's ability to generate wealth.

Substantial opportunities are emerging in a number of smaller markets. Just consider that in 1996 there were an estimated 1.5 billion households in the world; of those, 240 million households could afford telephone service but did not have any available to them, according to the International Telecommunications Union. In particular, Latin America's combination of consumer demand and telecommunications privatization has generated an increased overall hunger.

As the 21st century dawns, it is clear that Canadian IT companies will need to continue to innovate to maintain a competitive edge. Critical success factors will also include the ability to offer customers financing alternatives to complement product service offerings, and the ability to manage credit risk effectively. This is bound to result in a need for flexible, forward-thinking trade finance solutions – an area where EDC's IT Team has a competitive edge.



Telecommunications a growing market in Brazil

Brazil represents a tremendous opportunity, with only seven phone lines currently available for every 100 people. Brazil's telecommunications industry has a long history of Canadian content, going back more than 100 years. In fact, Canadians installed the first telephone systems there.

In July 1998, the Brazilian government auctioned off the country's telecom monopoly, Telebras. The resulting 12 privatized companies include three regional fixed-line providers, eight wireless operators and one long-distance and international service provider, Embratel. The privatization is ongoing, with the auction of the last competitive fixed telephone service still available for the centre-west and southern regions.

Many Canadian telephone, telecommunications and related service companies are already making headway in Brazil. In the coming months, EDC will be placing permanent representation in São Paulo, Brazil, to further assist Canadian companies wishing to do business in this promising market.

For more information on telephone and telecommunications opportunities in Brazil, contact William Jackson, Senior Commercial Officer, Canadian Consulate General, São Paulo, at (011-55-11) 253-4944.

Canadian Bank Note makes money, and more

by Patricia Smith

Money might be the first thing that comes to mind when Canadian Bank Note Company (CBN) is mentioned, but it is just a fraction of the company's business. The company has evolved beyond printing high-security documents, to become a supplier to the growing global market for high-security technology.

More than 100 years ago, CBN began printing high-security products such as currency, passports, postage stamps, stocks, bonds and lottery tickets. Today, CBN has expanded its business beyond printing technology to provide custom-tailored passport, lottery and payment systems to countries around the world. For example, not only does CBN print passport documents, but also it develops passport issuing systems, databases that facilitate border crossings, and a variety of other applications.

CBN's proven track record producing Canada's currency and passports has earned it an international reputation for quality solutions. The company went on to increase its expertise through working on increasingly complex projects, as well as increase its bottom line by exporting. Currently, CBN does more than $100 million in annual sales, double its sales of five years ago.

Meeting customer needs

Michael Southwell, Senior Vice-President of Sales and Marketing at CBN, says the company evolved from printer to technology leader by responding to customer needs. "It was an interactive process. When we received a call asking if we could provide a particular solution, we went to work," says Southwell. "We recruited the appropriate people to make it happen."

Southwell says CBN's understanding of the security issues faced by the countries to which it is selling has been critical to its export success. Exports now represent 60 per cent of CBN's business, and its markets include countries as diverse as Romania, Burkina Faso, Mali, Togo, Panama, Malaysia and Iceland. The company has systems running on every continent, and its passport readers are used in 30 countries.

Market expertise is one basis for CBN's partnership with EDC. "EDC takes a more flexible view of some of the lesser-known markets, and what goes on there," says Southwell. "I would say it houses much more international knowledge than other financial institutions." CBN insures its business with EDC when appropriate.

Another factor critical to the relationship is flexibility. EDC can provide buyer financing that enables CBN to sign business that might otherwise be unlikely. One recent example is a multi-million dollar contract selling passport issuing systems to Latvia.

EDC has done more than provide opportunities for CBN. It recently paid a $3.5 million claim on a transaction with India. To a company like CBN, this was significant. Says Southwell, "It's nice to know EDC really is there for us."

For more information, visit www.cbnco.com

Photos courtesy of Canadian Bank Note

Ready to go global?

In today's global economy, the long-term prosperity of Canadian companies will depend increasingly on their ability to compete in international markets. For those who need reassurance that they are ready, the Forum for International Trade Training (FITT) has the answer.

FITT has recently joined forces with Team Canada Inc. to develop and deliver a new series of workshops entitled "Going Global," designed to help exporters decide whether they are ready to do business in foreign markets. There are three workshops in the series: "An Introduction to International Trade," "An Introduction to Market Research" and "An Introduction to International Marketing," each three hours long.

Through these workshops, companies gain an understanding of the benefits and the challenges of exporting products or services, and all that it entails. "An Introduction to International Trade" teaches participants how to prepare for exporting and how to assess their degree of readiness. "An Introduction to Market Research" helps participants examine the research planning process and teaches them how to identify opportunities. Finally, "An Introduction to International Marketing" introduces participants to the principles of marketing, and the issues related to marketing and selling products or services overseas.

The first workshop, "An Introduction to International Trade," has already been piloted in Ontario and received a high rating from attendees: 98 per cent of respondents said they would recommend the workshop to their colleagues.

Companies interested in learning the basics of international trade in preparation for exporting, individuals interested in pursuing a career in international trade, and export service providers will find the workshops worth while. International trade practitioners will facilitate the workshops and answer questions on how to do business around the world. Workshop participants who decide they are ready to begin exporting will also get information on where to get more training.

Also included in the workshop fee is an 80-page international trade manual, that contains reliable sources of information, key sources of assistance, and tips, suggestions, and comments about international trade. There is also a glossary of trade terms and an index.

The Going Global workshops are offered on a demand basis in various locations across Canada. For more information, call 1-800-561-FITT(3488) or (613) 230-3553.

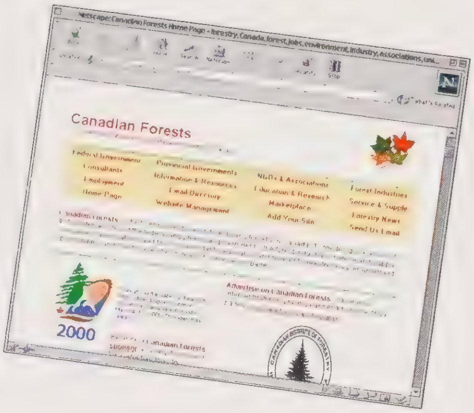
FITT is a national, not-for-profit professional organization, committed to developing and delivering international trade training programs and services, establishing country-wide standards and certification, and generally ensuring continuing professional development in the practice of international trade.

Team Canada Inc. builds upon the spirit of partnership that has been key to the success of Team Canada trade missions. Functioning as a "virtual" network, it provides the export community with a single point of access to the broad range of government export service providers.

inter.net.working

by Jean-Marc La Flamme

With five top Canadian export industries featured in this issue, there were many to choose from when looking for related Web sites to highlight. Here are some sites that offer good insight into their respective industries: Canadian Forests; Agri-Food Trade Service; Information Technology Association of Canada; Automotive Parts Manufacturers' Association; and IISI World Steel. Keep in mind, EDC's Web site (www.edc.ca) also offers updates and ongoing information about industry sectors across the board.

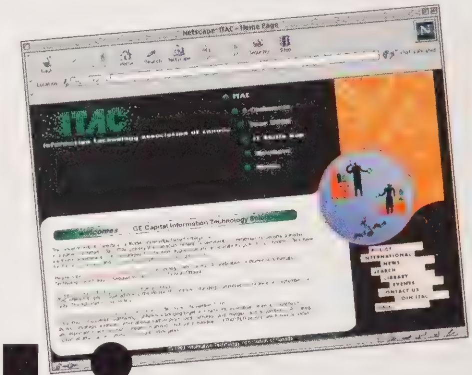


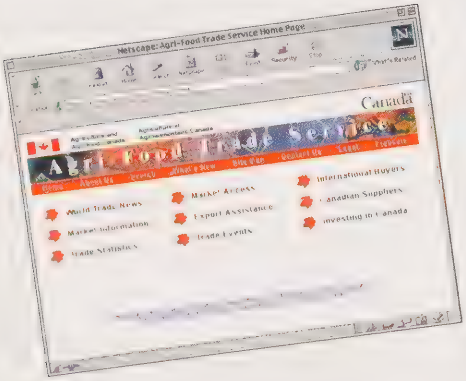
Canadian Forests (www.canadian-forests.com)

Canadian Forests is the foremost Web site on forests and forestry in Canada. It provides quick access to all relevant Internet sites of the federal and provincial governments, associations, and non-government organizations. It links to forest-related service and supply companies, as well as education and research organizations. The site also taps into forestry news, employment opportunities, and much more.

Information Technology Association of Canada (ITAC) (itac.ca)

This site gives you a high-level look at ITAC, its partners and its many activities related to policy and advocacy, networking and information exchange. ITAC is the voice of Canada's dynamic and rapidly growing information technology industry. Together with its partner organizations, ITAC represents more than 1,300 firms engaged in every sector of the computing and telecommunications industry.





Agri-Food Trade Service (ats-sea.agr.ca/public/home-e.htm)

The Agri-Food Trade Service Web site, produced by Agriculture and Agri-food Canada, provides a wide range of industry news and information on world trade, international markets and buyers, export assistance, Canadian suppliers, and investing in Canada. Of special note is the International Buyers Database which allows for searches by product, market, and/or business type.

Automotive Parts Manfacturers' Association (APMA) (www.capma.com)

This site provides the latest news and event updates within the automotive industry, and within APMA – a national association representing original equipment manufacturers of parts, equipment, tools, supplies

Addition ☐ **Deletion** ☐ **I.D. #**____________ *(as it appears in upper left corner of your mailing label)*

Name Title

Company Name Telephone

Address *(please include full address)*

Change ☐ **From:**

Name Title

Company Name Telephone

Address *(please include full address)*

To:

Name Title

Company Name Telephone

Address *(please include full address)*

Help us better understand your needs.

Language preference

☐ English
☐ French

You are... (choose one)

E1 ☐ currently exporting
E2 ☐ not exporting
E3 ☐ considering exporting

Export volume (choose one)

V1 ☐ Less than $1 million
V2 ☐ $1 million to $5 million
V3 ☐ More than $5 million
V4 ☐ Not applicable

☐ **I would like an EDC account manager to contact me.**

MAIL POSTE

Canada Post Corporation
Société canadienne des postes

Postage Paid
if mailed in Canada
Business Reply

Port payé
si posté au Canada
Réponse d'affaires

0184194799 **01**

0184194799-K1A1K3-BR01

EXPORT WISE
EXPORT DEVELOPMENT CORPORATION
151 O'CONNOR ST
OTTAWA ON K1A 1K3

and services for the industry worldwide. Founded in 1952, APMA has 400 members that account for 90 per cent of independent parts production in Canada. The association has working agreements with its counterparts in Brazil, Europe, India, Japan, Mexico and the United States that promote an exchange of market information, and create strategic alliances to strengthen the global automotive industry.

IISI World Steel (www.worldsteel.org)

This global forum for the world steel industry and IISI (International Iron and Steel Institute) captures the latest news in the steel industry, as well as information on trends,

statistics, events, people and companies in the industry, relevant publications and worldwide steel links. IISI is a non-profit research organization that serves as an international forum on various aspects of the steel industry. Founded in 1967, IISI has about 200 members in more than 50 countries.

Jean-Marc La Flamme is EDC's in-house Web specialist, responsible for EDC's Web site (www.edc.ca).

Y2K Progress Report

The millennium is upon us

by Tim O'Connor

As the year draws to a close, the millennium bug is about to pupate from possibility to reality and show the world its shape. Outlined below is EDC's progress to date in its efforts to minimize the potential impacts.

EDC is treating the millennium bug not only as a technical problem, but also as a real business risk. The remediation of technical hurdles is only one small part of the entire Y2K risk management strategy. However, we are pleased to report that, internally, all critical software and hardware have been tested for Y2K readiness and known problems have been addressed.

Unfortunately, due to the global nature of the Y2K problem, dealing with EDC's internal systems is not enough to guarantee disruptions will not occur. The readiness of supply chains, partners, foreign markets and more must also be considered. Accordingly, the Corporation has developed contingency plans to address potential disruptions. These plans were completed in June 1999 and tested and rehearsed throughout EDC during Q3 and Q4.

An event management strategy has been developed to define how EDC will manage Y2K-related events, if and when they occur. This strategy includes the creation of a Y2K Communications Centre, which began operating on December 1, 1999 and will continue until January 31, 2000. The Communications Centre will monitor, gather, and summarize relevant information both from inside EDC and internationally, then disseminate it to the rest of the business units so they can assess the potential impact of the Y2K bug and decide upon prudent courses of action.

EDC's goal is "business as usual." However, this cannot be absolutely guaranteed. The Corporation has taken, and continues to take, all reasonable steps to mitigate the risks posed by the millennium bug so that, in turn, EDC can continue to serve the needs of Canadian exporters.

To learn more about the status of EDC's Y2K readiness, we have made a Y2K disclosure letter available on the Corporation's Web site. This letter details actions EDC has taken to address the Y2K computer and business problem. The Web site can be viewed at www.edc.ca

New horizons
for international trade

by Mark Bolger

Globalization is an undeniable force in today's world of freer trade and wireless connections. This means that gaining an international presence is critical to the long-term success of companies, regardless of size, and also to the future prosperity of our country.

Canada's export trade remains tightly tied to the United States, which absorbs about 85 per cent of our total trade volumes and more than half our outbound foreign direct investment (FDI). This lack of market diversity makes us vulnerable to U.S. economic cycles and policy whims. With the new millennium upon us, the time is right to venture beyond familiar U.S. terrain and into promising markets further afield.

To succeed in the global economy, Canadian companies need to think long term: build a global presence by investing time and perhaps money in international markets; position themselves to take advantage of trade opportunities as they open up; and set their sights on long-term prosperity.

Here we offer snapshots of a few solid international prospects worth investigating.

Latin America

Facilitating trade

Latin America has spent the last decade restructuring to promote freer markets and foster foreign investment. Following the region's debt crisis in the 1980s, Chile was the first to initiate market reforms, leading to what is arguably today's most deregulated and open economy in Latin America. Argentina was quick to follow Chile's example and was soon joined by others. Trade barriers in Brazil, Mexico, Peru and Uruguay gradually decreased.

During the 1990s, the Latin American economies have grown at an average rate of three per cent annually, with rates closer to seven per cent in countries like Chile and Colombia. In terms of GDP, Brazil is one of the top 10 largest economies in the world, and in 1998 it was the second largest destination for FDI, after China. In addition, smaller countries in the region, notably Uruguay, offer good macro economic management and high growth potential.

The integration of the region through Mercosur (Brazil, Argentina, Uruguay, Paraguay) and its evolving free trade agreements with Chile, Bolivia and the Andean Community are presenting trade and investment opportunities never seen before. Mercosur itself offers a consumer community of over 200 million, with a combined GDP of close to US$1 trillion.

Further integration may come with the FTAA (Free Trade Area of the Americas) initiative, which seeks to achieve free trade between North and South America by 2005. At present, Canada's participation in the North American Free Trade Agreement (NAFTA) with Mexico and the United States, and in a bilateral agreement with Chile, gives us a good "foot in the door" – an advantage that could be used to explore further opportunities for trade and investment.

Well-matched partners

Much of the growth in the South and Central American economies relies on the same resource expansion needs that Canada has spent decades developing. Our expertise in pipeline construction, hydrocarbon yield extraction and harsh environment technologies can benefit Latin America's resource industries. In Mexico, opportunities exist in the energy industries (oil, gas and power) as well as in telecommunications, mining and rail transportation.

Canadian skills at developing industry-specific machinery technology are well matched to the region's needs. For example, plastics

and injection molding equipment are required in Argentina and our pulp and paper machinery is marketable throughout South America. Mexico's involvement in the North American vehicle market offers opportunities for the supply of tooling, parts and miscellaneous items to its auto industry.

Asia

Emerging stronger from the crisis

Despite the economic shock that hit Asia in 1997, the region is evolving to become one of the economic powerhouses of the next millennium. High growth enjoyed in the 20 years prior to the Asian crisis was a result of the region's ability to transfer low-wage, low-skill jobs from North America and Europe. While some of this job transfer potential still exists today, Asia's future can no longer depend upon "assembly-line" economies offering little value-added service. The region must develop its own domestic consumer markets for continued growth.

Services making a comeback

By forcing the devaluation of various currencies, the Asian crisis produced an extended delay in the region's evolution toward a modern, services-based economy. However, over the next few decades, the services sector in these nations will gradually become more important as personal wealth increases and consumers begin spending.

In addition, as knowledge-based industries replace low-skill assembly lines, educational services will become more important, creating an opening for Canadian service providers.

The services sector in these nations will gradually become more important as personal wealth increases and consumers begin spending.

Healthcare should also present opportunities for Canadian expertise.

Future development opportunities

Though it will take time, eventually the burgeoning requirement for electric power development in Asia will yield trade opportunities. Full-scale development of the power industry depends partially on Asian governments establishing the transparent and stable financial and legal frameworks to support limited recourse and Build-Operate-Transfer (BOT) structures, which are necessary as the industry becomes more private sector oriented.

While the economic downturn has slowed the proliferation of infrastructure deals in Asia, this sector will eventually re-enter a growth phase, in time yielding trade opportunities. Canadian exporters who take a long-term view, and work now to establish the relationships necessary to gain access to the Asian markets, will be in a stronger position to compete when the region's infrastructure sector re-emerges.

Current opportunities

Today, Asia's pulp and paper industry is a solid destination for much of our Canadian technology. For example, Canadian companies are supplying machinery and bleaching equipment to paper concerns operating out of Indonesia. Not only is Asia consuming a growing percentage of pulp and paper products, but also it is gaining ground as a producer and therefore in need of machinery. Asian production rates of wood, pulp and paper/ paperboard have grown more than eight per cent annually over the past decade, compared to a global rate of less than two per cent.

As Asia begins to focus more on knowledge-based industries, the role of telecommunications and advanced technology sectors will also increase. Although some Asian markets currently restrict foreigners from ownership and operation of domestic telecommunications companies, this does not prevent Canadians from doing a healthy equipment supply business in this growing sector. In China alone, forecasts predict that more than 100 million new telephone lines will be installed in the next 15 years and China's mobile telephone subscriber base could exceed 25 million by the year 2000.

India faces similar explosive growth in its telecommunications industry since it became deregulated. Right now, just 1.5 per cent of the country's population has telephones, a far lower penetration rate than the world average. However, the annual connection rate has climbed to about 20 per cent, making India's telecommunications sector one of the most

rapidly expanding markets in the world. In addition, rising demand for value-added service like paging and Internet technologies should make India an attractive export market for Canada's experienced telecommunications companies looking to diversify overseas.

The long-standing perception of Canada as a source of raw materials and commodity goods still holds. Korea, Japan, Malaysia and Thailand have traditionally purchased agricultural products such as grains, seeds, meats and edible oils and fats from Canada, and the quality of these products is well recognized. As Asian markets recover their lost consumer confidence, demand for Canadian commodities will experience resurgence.

Middle Eastern markets have developed trade agreements with nations outside of their immediate vicinity that can benefit trade partners.

Middle East

Focusing outward

Over the past decade, the Middle East has made concerted efforts to establish political stability, which in turn should pave the way for economic prosperity. However, long-standing tensions between neighbours have kept intra-regional trade to below 10 per cent of the region's total trade volume. While this may dampen export strategies that count on using one market as a springboard into others in the region, Middle Eastern markets have developed trade agreements with nations outside of their immediate vicinity that can benefit trade partners.

The United Arab Emirates – Egypt, Israel and Saudi Arabia – are all vying for the position as lead trans-shipment point to the Gulf region and beyond. Israel alone offers free trade agreements with more than 30 countries, including Canada, so Canadians have indirect access to numerous markets across Asia and Africa. Also, while current intra-market trade is low, this may change in view of the 1997 Damascus Declaration, which called for the establishment of a free trade zone among the participants.

Saudi Arabia

Set to diversify

Housing the world's largest oil reserves, Saudi Arabia is by far the leading economy in the Middle East, able to support itself on the revenue generated from oil production. Many of the oil-rich Gulf states, including Saudi Arabia, have economies that are highly dependent on a single industry, leaving their prosperity vulnerable to vacillations in oil prices.

In recent years, many governments have made efforts to diversify their export markets and nurture other industrial sectors via private sector enhancement and increased FDI. To this end, Middle East markets are in the process of dismantling many of the state controls over their economies.

Although it is proceeding slowly, the privatization of Saudi Arabia's energy industry will unfold over the next decade. Demand for power is growing approximately five per cent per year, opening up opportunities not only for investment but also for Canadian electrical equipment and services. Similarly, with Saudi Telecommunications Corp (STC) planning to double existing mobile phone capacity and expand the country's network, the telecommunications sector offers prospects for suppliers.

Africa

A few hot spots

The most promising trade areas of Africa are located at each end of the continent, the northern fringe of which encompasses Egypt, Tunisia and Morocco. One of the strongest economies in Africa is Egypt, which has been growing at an annual rate of about five per cent since 1991.

Large international corporations in the petrochemical, pharmaceutical, software, automotive, and agri-food sectors have increased their presence in Egypt, and Canadian firms are supplying efficiency-enhancing electrical and mechanical machinery to these sectors. There is also strong potential for suppliers of base and semi-manufactured goods (i.e. chemicals, pulp and paper, base metals, and fats and oils,) which feed the above industries. On a much larger scale, future plans aimed at improving

the nation's transportation systems will open up opportunities for engineering, procurement and construction companies focusing on land transit and port rehabilitation niches.

As long as Egypt's economy remains open, import levels will increase as a result of growing consumer demand. One main challenge to future success, however, will be the country's ability to maintain investor confidence in view of perceived potential for Islamic radicalism in the region.

No market too small

Smaller markets such as Tunisia and Morocco tend to be overlooked. However, since both economies rely heavily on agriculture, Canadian companies with technologies that can boost efficiency in the agri-food sector should explore them.

Tunisia, considered a leader in Africa on the social and economic development front, is anticipating at least five per cent annual growth in the upcoming years. It has a well-developed industrial sector, and the country's manufacturing activities (such as in the textiles, chemical and pharmaceutical industries) are expected to stimulate future growth through export.

In Morocco, the recent poor farming season is expected to result in low GDP growth for 1999. However, this is not the norm. A good agricultural season last year and continued performance by the country's services sector resulted in almost seven per cent GDP expansion in 1998.

Governments in both Tunisia and Morocco are striving to privatize state-owned operations in order to motivate capital, diversify industrial bases and attract FDI. A driving force behind upgrading the industrial standard in both countries is a desire to forge either free or preferred trade status agreements with the European Union (EU).

Opportunities to the south

At the foot of the African continent, South Africa and Botswana are potential markets for Canadian mining companies and machinery manufacturers to supply equipment and investment. Both markets are closely linked to each other via trade flows, and by the activities of mining giants like DeBeers and Anglo-American.

South Africa sources almost 40 per cent of its US$28 billion in annual imports – the majority of which are capital goods such as machinery and electrical equipment – from Germany, the United Kingdom and the United States. Although the government promotes the development of industries leading to self-sufficiency, some importation is still required for transportation, chemicals and mechanical/electrical machinery components. Sectors successfully exploited by Canadian companies include aviation, telecommunications, industrial equipment, construction and professional services.

South Africa has by far the largest and most sophisticated economy in sub-Saharan Africa and, as such, is a gateway to doing business in the region. In expanding its role as a door for follow-on trade, South Africa signed a broad cooperation pact with the EU in early 1999 that will eliminate the majority of trade barriers between the two trading partners. Chances are, the overall percentage of South African imports from the EU will rise, unless increased competitive efforts are made by alternative trading partners such as Canada.

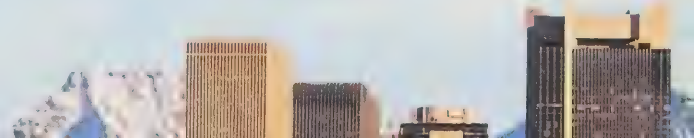
Botswana moving beyond mining

The cornerstone of Botswana's economy is mining, which contributes a third of the country's GDP. However, with a large portion of the nation's human resources also working in neighbouring South Africa, Botswana has never developed much of a downstream manufacturing sector. The government is currently trying to encourage a diversified manufacturing industry, with some success in attracting automotive assembly companies. Opportunities may exist for Canadian companies offering mining machinery, automotive tooling and precision parts.

Central Europe and the Baltics

Strong potential

Within the central European and Baltic regions, Poland, Hungary, Latvia, Estonia, Lithuania, Czech Republic and Slovenia are all demonstrating excellent economic progress and offer good potential as trade destinations for Canada. Each market has a strengthening manufacturing sector, fueling GDP growth of about six per cent annually. For these countries, coming out of the shadow of the old communist system has meant making strong efforts to divest the public sector and develop a thriving private marketplace.



Poland sets the stage

Poland is probably the best example of a successfully remade economy. Its healthy industrial and manufacturing sector is expected to fuel economic growth of over five per cent annually for the next several years. At present, all of Poland's major industries require enormous capital investment in order to modernize and sustain the expected future expansion of the economy.

The power, mining, oil and gas, telecommunications, infrastructure and transportation sectors all offer opportunities for Canadian companies seeking trade and investment.

Further key industries such as steel production and automotive manufacturing are in the process of being modernized. Poland's automotive sector is the sixth largest in Europe and presents an attractive target for investment. The modernization of Poland's industries calls for substantial imports of mechanical and electrical machinery, as well as plastics and packaging technologies.

FDI spurs growth in Hungary

Despite its proximity to last year's Russian financial crisis, Hungary still managed to record five per cent economic growth in 1998. This was partially because it had successfully shifted its trade patterns from Russia to Western Europe. The services sector in Hungary is a major component of the economy, contributing over 60 per cent of total GDP.

Both Poland and Hungary have been the most receptive countries for FDI in the region, with opportunities for investment in many of the same sectors. Feeding these industries, capital goods such as mechanical and electrical machinery and transportation equipment account for a significant share of Hungary's import volume. Most imports presently come from Germany, Austria and other EU members.

Hungary is also known for its maturing pharmaceuticals industry, where further expansion opportunities are likely to be found in generic brand development. With liberalized trade laws and notable FDI incentives, the Hungarian market is a prime target for Canadians looking to invest in the region.

Privatization opens up the Baltics

The three Baltic economies of Estonia, Latvia and Lithuania share a similar history of struggle in reforming their markets after the end of the old communist era. Today, each market has distinguished itself through progress made in bringing about a thriving private sector. All three countries are conduits for trade with Russia and still rely heavily on it as a market for exports, plus as a source for energy and raw materials to fuel industries.

When the Russian crisis hit, growth of the economies tightly linked to Russia was affected in varying degrees, depending on the depth of trade and investment ties. The Baltics is striving to lessen its reliance on Russia, opening up opportunities for Canadian companies to cultivate untapped niche markets – markets that offer excellent potential for future access to the larger European trade union.

Estonia at the forefront

Estonia appears to have been the most successful, among the Baltics, in obtaining long-term, positive results from the implementation of reforms. The country's restructuring has produced the most stable and liberal trade market in Eastern and Central Europe. More than 80 per cent of the former state-owned enterprises have been privatized.

Estonia was quick to realize the necessity of trade with Western Europe. It established free trade agreements with the EU, and found markets to substitute for Russia. Today, Finland and Sweden are major trade and investment partners.

Machinery and equipment for Estonia's textile and other light industries are the current leading import. Opportunities exist for modernized machinery and technology suppliers to many of Estonia's industrial subsectors. Also of interest to Canadians, Estonia's large forestry resources remain mostly underdeveloped and capitalizing on them will require modern, efficient equipment. Agriculture-based production currently suffers from the same problem and lacks the ability to meet western export market standards.

Latvia following suit

Latvia presents many of the same opportunities as Estonia when it comes to potential Canadian trade, particularly for modernized machinery and technology suppliers. For example, the agri-food sector plays a significant role in Latvia's economy, and the collapse of the Russian marketplace left many Latvian food-processing firms scrambling to upgrade machinery

and technology to meet western European standards.

The country's largest export industry, wood processing, also offers machinery export potential for Canada's forestry products companies. This sector of the Latvian economy has not suffered as extensively as other industries due to its ability to meet EU production standards and consumer tastes.

Lithuania poised for growth

Of the three Baltics, Lithuania has been the slowest to adopt economic restructuring. Implementation of reforms are lagging due to a number of political and financial hurdles. However, despite slower progress in comparison to its neighbours, Lithuania's economy is still showing remarkable growth potential. It has a highly skilled, educated workforce, established light and heavy industries, and potential as a key shipment point from central Europe.

Similar to the other Baltic countries, Lithuania's imports are skewed towards raw materials from Russia, and electrical machinery for key export industries (mineral products, textiles, and chemicals). Originally derailed by allegations of corruption and legislative confusion, the privatization program in Lithuania has only now reached a stage of offering concrete incentives for investors.

Lithuania offers a wide selection of investment targets for Canadians, as well as several free economic zones for the establishment of joint venture projects. Criticism of policy still abounds, but the government continues to make steady progress on reforms. For the astute and patient investor, Lithuania may still prove itself a diamond in the rough.

Canadian companies willing to look beyond the United States and diversify into international markets will be in a much stronger competitive position.

Slovenia undergoing reform

Recording real GDP growth for the past seven years, Slovenia is the most economically evolved market stemming out of the old Yugoslavia. Manufacturing and services provide about 95 per cent of the country's GDP. Iron and steel, machine production, and consumer goods account for much of the industrial base of the market. On the services side, tourism is a major industry for the country.

In the medium term, to meet the standards of the greater EU, the country must address the same upgrading needs that the other central and eastern European economies require. Motivating its industrial reform is Slovenia's target date of 2003 for entry into the EU. Political deadlocks may delay the date, but there is no question that Slovenia has the underlying basic industrial framework to establish a vibrant economy.

Imports into Slovenia are comprised mostly of consumer goods, food products, and chemicals. Raw materials for the country's industries are sourced presently from Germany, Italy, France and Austria (with over half of exports also going to these markets). Although there are still some barriers to importing agri-food products, Canadians may want to explore Slovenia's potential as a market for secondary grain products like cereals. It is expected that existing trade barriers will fall away in the near future as compliance with EU norms is sought.

Since Slovenia is situated at a key geographic locale between the western EU countries and the Balkan states, transportation industries are also likely to hold promise for Canadian companies. Road, rail, sea and air transport will all need augmentation and refurbishment to keep pace with Slovenia's tourism and trade relations with western Europe and the East.

New horizons

The countries highlighted above are just a few of the potential "hot" export and investment markets that exist. Canadian companies willing to look beyond the United States and diversify into international markets will be in a much stronger competitive position. And, as with any business prospect, early entry is the key to capitalizing on opportunities.

While there are risks in expanding into unfamiliar regions, the potential reward is future prosperity for Canadian companies and a stronger Canada overall. To this end, EDC welcomes the opportunity to help exporters of all sizes manage their risks in international markets. It is time to look beyond our traditional borders to new horizons.

Lines of credit

EDC has many types of export financing facilities to simplify the purchase of Canadian goods and services by buyers in export markets.

These facilities fall into two broad categories: supplier credit financing and buyer credit financing.

One example of supplier credit financing is a note purchase agreement. Under such an agreement, EDC purchases from an exporter a series of promissory notes issued by a foreign buyer to the exporter upon the sale of goods or services.

Buyer credit financing includes direct loans and lines of credit. Direct loans are a financing arrangement between EDC and a buyer, or a borrower on behalf of a buyer, for a predetermined transaction. Loans usually involve large transactions with long repayment terms.

Lines of credit are a streamlined form of financing in which EDC lends money to a foreign bank, institution or purchaser, which then onlends the necessary funds to foreign purchasers of Canadian goods and services. Interest rates, repayment terms and other details are prearranged between EDC and the foreign borrower, which speeds up turnaround time. Transactions supported under lines of credit are usually valued at between US$50,000 and US$5 million. EDC currently has 48 lines of credit, providing one form of access to export financing for buyers in some 24 countries.

Listed below are the details and contacts for the lines of credit which exporters have found most useful.

It is important to note that:

- **EDC's financing and insurance services extend beyond countries in which EDC has established lines of credit.**
- **These lines of credit are one of several ways in which EDC will do business in these markets.**
- **If you are thinking about exporting but have never used one of EDC's lines of credit, it is wise to contact EDC as early as possible.**

For more information on how EDC export financing can help you close a deal abroad, contact the regional office nearest you by calling 1-888-332-3777.

Categories

Overseas Area Code = 011

1 - Borrower
2 - Signing amount
3 - Repayment terms
4 - Buyers' contact with borrower
5 - Borrowers' contact in North America

Lines of Credit

Mexico, Central & South America

Andean Pact – Bolivia, Colombia, Ecuador, Peru and Venezuela

1) **Corporación Andina de Fomento (CAF)**
2) US$70 million
3) 10 years
4) Mr. Fernando Infante
Vice-President of Finance
Tel.: 582-209-2283
Fax: 582-209-2329
finfante@caf.com

Mr. José Vicente Maldonado (Bolivia)
Tel.: 591-243-1333
Fax: 591-243-2049
jvicente@caf.com

Ms. Liliana Canale (Colombia)
Tel.: 571-313-2311/2549
Fax: 571-313-2787
lcanale@caf.com

Mr. Alfredo Solarte (Ecuador)
Tel.: 593-222-4080
Fax: 593-222-2107
asolarte@caf.com

Mr. Gustavo Fernández (Peru)
Tel.: 511-221-3566
Fax: 511-221-0968
gfernandez@caf.com

Mr. Carlos Romero (Venezuela)
Public Sector
Tel.: 582-209-2183
Fax: 582-209-2463
cromero@caf.com

Ms. Blanca Alarcón, Private Sector
Tel.: 582-209-2379
Fax: 582-209-2433
balarcon@caf.com

Argentina

1) **Banco Francés**
2) US$10 million
3) 2, 3, 5 or 7 years
4) Mr. Fernando Sola, Regional Manager
North America and Asia Pacific
Tel.: 5411-4346-4326/4000 (ext. 1893)
Fax: 5411-4346-4337

1) **Industrias Metalúrgicas Pescarmona S.A.I.C. y F. (IMPSA)**
2) US$15 million
3) 3 semi-annual installments
4/5) Mr. Miguel Valentini
Director of Purchasing (Pittsburgh)
Tel.: 412-344-7003 (ext. 21)
Fax: 412-344-7009
valentini@impsa.com

1) **Pan American Energy (Argentina Branch)**
2) US$50 million
3) 3 to 8.5 years
4) Mr. Pablo M. Ferrari, Financing Department
Tel.: 5411-4310-4332
Fax: 5411-4310-4367
pferrari@pan-energy.com

1) **Telecom Argentina STET-France Telecom S.A.**
2) US$45.2 million
3) 3 to 8.5 years
4) Mr. Tomás Silveyra, Manager
Financial Operations
tsilveyr@ta.telecom.com.ar
Ms. Carolina Campos, Financial Operations
Tel.: 5411-4968-3500/3532
Fax: 5411-4312-9472
ccampo1@ta.telecom.com.ca

1) **Telefónica de Argentina S.A.**
2) US$50 million
3) 3 to 8.5 years
4) Mr. Juán López Basilvaso
Director of Finance
Ms. Antonieta Martino/
Mr. Raul H. Rolandi, Finance
Tel.: 5411-4325-0190
Fax: 5411-4325-1920
rolandir@telefonica.com.ar

1) **Total Austral S.A.**
2) US$50 million
3) 2 to 8.5 years
4) Mr. Alain Petitjean, Financial Controller
Tel.: 5411-4346-6621
Fax: 5411-4346-6697
alain.petitjean@total.com
5) Mr. Carlos A. Coccioli, Treasurer
Tel.: 5411-4346-6623
Fax: 5411-4346-6697
carlos.coccioli@total.com

1) **Transportadora de Gas del Norte S.A.**
2) US$5 million
3) 2.5 to 5 years
4) Mr. Orlando Paolini
Tel.: 5411-4959-2167
Ms. Dora Zapolski
Tel.: 5411-4959-2002
Fax: 5411-4959-2110

1) **YPF, S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Enrique Waterhouse/
Ms. Dora E. Acosta Vásquez
Tel.: 5411-4329-5685
Fax: 5411-4329-5838
ewaterho@email.ypf.com.ar

Argentina, Brazil, Colombia and Uruguay

1) **BankBoston**
2) US$25 million
3) 2 to 8 years
4) Mr. Julio Laffaye, Trade Finance Manager
International Services (Argentina)
Tel.: 5411-4346-2112
Fax: 5411-4346-3209/343-7303

Mr. Sergio Schirato (São Paulo)
Tel.: 5-511-3881-6415
Fax: 5-511-3881-6430

Mr. Miguel de Pombo (Bogotá)
Tel.: 571-313-2255/3455
Fax: 571-313-3536

Mr. José Baniela (Montevideo)
Tel.: 598-296-0127
Fax: 598-296-2209

5) Mr. David Ames, Assistant Vice-President
International Corporate Finance
Tel.: 617-434-5178
Fax: 617-434-1188

Brazil

1) **Banco do Brasil**
2) US$25 million
3) up to 5 years
4) Mrs. Rosana Porto Feirosa
Tel.: 55-11-3066-9021
Fax: 55-11-3066-9029

1) **Petrobrás**
2) US$15 million
3) up to 5 years
4) Mr. Hernani Fortuna
Head, Investment Finance
Tel.: 5-521-534-1450
Fax: 5-521-534-4278

1) **Unibanco – Uniâo de Bancos Brasileiros**
2) US$15 million
3) 2, 3, 4 or 5 years
4) Ms. Silvia Nucci
Manager International Relations/
Ms. Patricia Urbano
Manager, Corresponding Banking
Tel.: 5-511-867-1684/4321/1900
Fax: 5-511-815-4484/814-0528/867-1689
5) Mr. Durval Araujo (New York)
Tel.: 212-207-9426
Fax: 212-754-4872
Mr. Marcos Pereira (Miami)
Tel.: 305-372-0100
Fax: 305-350-5622

Colombia

1) **Banco Cafetero**
2) US$10 million
3) up to 8.5 years
4) Mr. Luis Hernando Manrique
Head Special Lines Department
Tel.: 571-341-1511 (ext. 3700)
Fax: 571-284-2097/286-8893

1) **Cementos del Caribe**
2) US$5 million
3) up to 5 years
4) Mr. Ernesto Ritzel, Treasurer
Tel.: 575-355-6069
Fax: 575-355-9829
eritzel@caribe.com.co

Chile

1) **Codelco**
2) US$70 million
3) 5 years
4) Mr. José Antonio Alvarez
Vice President Finance
Tel.: 562-690-3648
Fax: 562-690-3669

Honduras, Costa Rica, El Salvador, Guatemala and Nicaragua

1) **Central American Bank for Economic Integration (CABEI)***
2) US$20 million
3) 5 years
4) Mr. Jorge Kawas
jkawas@bcie.hn
Mr. Eduardo Membreño
(Tegucigalpa, Honduras, Headquarters)
Tel.: 504-228-2208/2209
Fax: 504-228-2135
emembren@bcie.hn

Lic. Ronald Martínez Saborío/
Mr. Dennis Sánchez Acuña (Costa Rica)
Tel.: 506-253-9394
Fax: 506-253-2161
dsanchez@bcie.org

Ing. Francisco José Ramírez Cuadra (El Salvador)
Tel.: 503-260-2244/2245
Fax: 503-260-3276
framirez@bciesv.bcie.hn

Lic. Jorge Mario Diaz Rosal (Guatemala)
Tel.: 502-334-1744/332-2722
Fax: 502-331-1457
jmdiaz@bciegt.bcie.hn

Ing. Roger Arteaga Cano (Nicaragua)
Tel.: 505-266-4120 to 4123
Fax: 505-266-4143/4125
mbuitrag@bcie.org

* *CABEI is closed to new projects in the public sector/Government of Nicaragua.*

Mexico

1) **Banca Serfin, S.A.**
2) US$20 million
3) 5 years
4) Mr. José Carrassó Arnaiz
Vice-President, International Division
Tel.: 525-512-1009
Fax: 525-625-5613
5) Mrs. Paloma Healey
Tel.: 416-360-8900
Fax: 416-360-1760

1) **Bancomer, S.A.**
2) US$75 million
3) 5 to 8 years
4) Ms. Cecilia Sáenz y Sáenz
Vice-President, Import Financing
Tel.: 525-621-3861/3491
Fax: 525-621-4758

1) **Banco Nacional de Comercio Exterior, S.N.C. (Bancomext)**
2) US$125 million
3) 5 to 8 years
4) Ms. Rosa María Solís, Vice-President
International Banking, North America
Tel.: 525-481-6051
Fax: 525-481-6076/6077
5) Mr. Marco Espinosa
Trade Commissioner of Mexico (Toronto)
Tel.: 416-867-9292
Fax: 416-867-1847

1) **Banco Nacional de México, S.A. (Banamex)**
2) US$125 million
3) 5 to 10 years
4) Ms. Mariana Lerdo de Tejeda Sánchez
Comercio Exterior
Tel.: 525-720-7077
Fax: 525-720-7315
5) Mr. Joseph Clarke (New York Office)
Tel.: 212-303-1431
Fax: 212-303-1470
jclarke@banamex.com

1) **Banco Nacional de Obras y Servicios Públicos, S.N.C. (Banobras)**
2) US$20 million
3) 5 to 8 years
4) Lic. Abelardo Bravo Herrera, Gerente
Operaciones Bancarias Internacionales
Tel.: 525-723-6000
Fax: 525-723-6235

1) **Comisión Federal de Electricidad (CFE)**
2) US$50 million
3) 5 to 8 years
4) Mr. Ramón Benitez Galarza
Head, Credit Operations Department
Tel.: 525-705-0571/229-4502
Fax: 525-229-4703
rbg84069@cfe.gob.mx

1) **Grupo Minero México, S.A. de C.V.**
2) US$75 million
3) 5 years
4) Ing. Genaro Guerrero Díaz
Tel.: 525-564-7066
Fax: 525-574-8056

1) **Hylsa, S.A. de C.V.**
2) US$20 million
3) 5 years
4) Mr. Manuel Moguel, Treasury
Tel.: 528-328-1220
Fax: 528-328-1885
mmoguel@hylsamex.com.mx

1) **Nacional Financiera, S.N.C. (Nafin)**
2) US$28 million
3) 5 to 8 years
4) Mr. Jorge Muñoz Cuevas
Manager Bilateral Financing
Tel.: 525-325-7022/7023
Fax: 525-325-6496

1) **Petroleos Mexicanos (Pemex)**
2) US$50 million
3) 3 to 10 years
4) Ing. Eduardo Ito
Deputy Manager, Trade Finance
Tel.: 525-250-6478
Fax: 525-254-1896
jenito@dcf.pemex.com
5) Mr. Alberto Hinojos, Vice President
Finance and Administration
Tel.: 713-430-3110
Fax: 713-430-3312
ahinojos@itsinc.com

1) **Teléfonos de México, S.A. de C.V. (Telmex)**
2) US$35 million
3) 3 to 7 years
4) Mr. Gustavo León Méndez, Treasury
Tel.: 525-222-1153/1154
Fax: 525-203-5972
glmendez@telmex.net

Peru

1) **Banco Wiese Ltdo.**
2) US$15 million
3) 2 to 5 years
4) Mr. Eduardo Lizarzaburu Cuba
Financing Intermediation Division
Tel.: 511-428-6000
Fax: 511-426-9414
elizarzaburu@wiese.com.pa
Mr. Javier Román
Tel.: 511-426-6231
Fax: 511-428-3163
jroman@wiese.com.pa

Trinidad & Tobago

1) **Central Bank of Trinidad & Tobago**
2) US$15 million
3) up to 8.5 years
4) Ms. Cara Mae Farmer
Manager, Banking Operations
Tel.: 868-625-4835/623-4715
Fax: 868-625-2468
cfarmer@central_bank.org.tt

Venezuela
1) **BARIVEN, S.A./Petróleos de Venezuela, S.A. (PDVSA)**
2) US$50 million
3) 2 to 8.5 years
4) Jesús Bello, Finance
Tel.: 582-201-4761
Fax: 582-201-4605
5) Mr. Philip Limon, Trade Financial Analyst
PDVSA Services, Inc. (Houston, Texas)
Tel.: 281-588-6406
Fax: 281-588-6287
lemonp@pdvsa.com
fnt1h@psi.pdv.com

Africa & Middle East

Algeria
1) **Banque Algérienne de Développement (BAD)**
2) US$100 million
3) 3 or 5 years
4) Mr. Saddek Alilat, Director
Tel.: 213-2-677-583/4/5
Fax: 213-2-674-241

1) **Sonatrach**
2) US$70 million
3) 3 or 5 years
4) Mr. Mohamed Kerkebane, Director
Tel.: 213-2-746-272/209
Fax: 213-2-746-256

Egypt
1) **United Bank of Egypt**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Atef Eldib, Executive Manager
Credit and Marketing Department
Tel.: 011-202-594-0146
Fax: 011-202-594-0153

Israel
1) **Bank Hapoalim B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Yona Rosenberg
Foreign Trade Department
Tel.: 972-3-567-3424
Fax: 972-3-567-4548

1) **Bank Leumi Le-Israel B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Liorah Tidhar, First Vice-President
Trade & Project Finance
Tel.: 972-3-514-7373
Fax: 972-3-514-7865

1) **United Mizrahi Bank Limited**
2) US$10 million
3) 3, 5 or 7 years
4) Mr. Chana Chefer, Foreign Trade Department
Tel.: 972-3-567-9011
Fax: 972-3-567-9028

Lebanon
1) **Credit Libanais SAL**
2) US$10 million
3) 3 to 8.5 years
4) Mr. George Khouri
Tel.: 961-158-2390
Fax: 961-160-2615

South Africa
1) **First National Bank of Southern Africa Limited/Rand Merchant Bank**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Willie Coetzee
International Project Finance
Tel.: 2711-282-8369
Fax: 2711-282-8318
willie-coetzee@rmb.co.za

1) **Industrial Development Corporation of South Africa/Impofin (Pty) Limited**
2) US$15 million
3) 3 to 8.5 years
4) Mr. Leon Potgieter, Deputy General Manager, Industrial Development Corporation of South Africa Ltd.
Tel.: 2711-269-3266
Fax: 2711-269-3121
leonp@idc.co.za

1) **Nedcor Bank Ltd.**
2) US$10 million
3) 3 to 8.5 years
4) Mr. David N. Fienberg, Head
International Finance Unit
Tel.: 2711-630-7444
Fax: 2711-630-7146

1) **The Standard Bank of South Africa Limited**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Gerald Nolan
Senior Manager, International Finance
Tel.: 2711-636-5062
Fax: 2711-636-3181
nolang@scmb.za

Tunisia
1) **Ministry of International Cooperation and Foreign Investment**
2) US equivalent of Cdn$100 million
3) up to 10 years
4) Mr. Abdelhamid Bouhawala
Tel.: 216-1-798-522
Fax: 216-1-799-069
bo@mci.gov.tn

Europe

Turkey
1) **Turk Exim Bank**
2) US$50 million
3) up to 7 years
4) Mr. Ertan Tanriyakul
Assistant General Manager
Tel.: 90-312-425-6504
Fax: 90-312-425-2947
ogunduz@eximbank.gov.tr

Ukraine
1) **State Export Import Bank of Ukraine**
2) Cdn$20 million
3) 3 to 10 years
4) Ms. Tetyana M. Kutuzova
Head of Department
Tel.: 380-44-247-8925/26
Fax: 380-44-247-8928/8082
Telex: 131258 RICA

Asia & Pacific

China, People's Republic of
1) **Bank of China**
2) US$200 million or its equivalent in Cdn. or other acceptable foreign currencies
3) up to 10 years
4) Ms. Liu Huijun, Treasury Department
Tel.: 86-10-6601-6688 ext. 4104
Fax: 86-10-6601-4037

1) **Bank of Communications**
2) US$25 million
3) up to 10 years
4) Ms. Liu Ganghua, Credit Department
Tel.: 86-21-6275-1234 (ext. 2051)
Fax: 86-21-6275-6224

1) **China Construction Bank**
(previously People's Construction Bank of China)
2) US$100 million
3) up to 10 years
4) Mr. Yu Hui, Project Manager
Project Finance Division
Tel.: 86-10-6759-8555
Fax: 86-10-6759-8549

1) **Industrial and Commercial Bank of China**
2) US$25 million
3) up to 10 years
4) Ms. Qin Lei, International Finance Division, International Department
Tel.: 86-10-6610-6022
Fax: 86-10-6610-6038

Indonesia
1) **P.T. Indah Kiat Pulp & Paper Corp.**
2) US$25 million
3) 3 to 10 years
4) Mr. Paulus Lucas, Assistant Manager, Finance
Tel.: 62-21-392-9266
Fax: 62-21-392-6179
paulus_lg@app.co.id

1) **P.T. Pabrik Kertas Tjiwi Kimia**
2) US$10 million
3) 3 to 10 years
4) Mr. Paulus Lucas, Assistant Manager, Finance
Tel.: 62-21-392-9266
Fax: 62-21-392-6179
paulus_lg@app.co.id

1) **P.T. Lontar Papyrus Pulp & Paper Industry**
2) US$20 million
3) 3 to 10 years
4) Mr. Paulus Lucas, Assistant Manager, Finance
Tel.: 62-21-392-9266
Fax: 62-21-392-6179
paulus_lg@app.co.id

Contacts

Head Office
151 O'Connor
Ottawa, Canada
K1A 1K3

Tel.: (613) 598-2500
Fax: (613) 237-2690
Internet: http://www.edc.ca

Smaller exporters — companies with annual export sales of up to $1 million — can contact our team of specialists at

1-800-850-9626

If your export sales exceed $1 million annually, call any one of EDC's regional offices at

1-888-332-3777

Western Canada

Jim Christie
Regional Vice-President
jchristie@edc-see.ca

Vancouver Office
Suite 1030
505 Burrard Street
Vancouver, British Columbia
V7X 1M5
Tel.: (604) 666-6234
Fax: (604) 666-7550

Blair Wilson
Business Development Manager
bwilson@edc-see.ca

Winnipeg Office
Commodity Exchange Tower
Suite 2075
360 Main Street
Winnipeg, Manitoba
R3C 3Z3
Tel.: (204) 983-5114
Fax: (204) 984-0163

Lewis Megaw
Business Development Manager
lmegaw@edc-see.ca

Calgary Office
Home Oil Tower
Suite 606
324-8th Avenue S.W.
Calgary, Alberta
T2P 2Z2
Tel.: (403) 292-6898
Fax: (403) 292-6902

Bruce Stanton
Business Development Manager
bstanton@edc-see.ca

Edmonton Office
Suite 905
10010-106th Street
Edmonton, Alberta
T5J 3L8
Tel.: (780) 495-2286
Fax: (780) 495-2346

Karen Goss
Business Development Manager
kgoss@edc-see.ca

Ontario

Ruth Fothergill
Regional Vice-President
rfothergill@edc-see.ca

Toronto Office
Suite 810
150 York Street
P.O. Box 810
Toronto, Ontario
M5H 3S5
Tel.: (416) 973-6211
Fax: (416) 862-1267

Laura Gainer
Business Development Manager
lgainer@edc-see.ca

David Little
Business Development Manager
dlittle@edc-see.ca

Ottawa Office
151 O'Connor Street
Ottawa, Ontario
K1A 1K3
Tel.: (613) 598-3152
Fax: (613) 598-6858

Hal Miller
Business Development Manager
hmiller@edc-see.ca

London Office
Suite 1512
148 Fullarton Street
London, Ontario
N6A 5P3
Tel.: (519) 645-5828
Fax: (519) 645-5580

Lillian Gagnon
Business Development Manager
lgagnon@edc-see.ca

Quebec & Atlantic Canada

Henri Souquières
Regional Vice-President
hsouquieres@edc-see.ca

Montreal Office
Suite 4520
800 Victoria Square
P.O. Box 124
Tour de la Bourse
Montreal, Quebec
H4Z 1C3
Tel.: (514) 283-3013
Fax: (514) 878-9891

Harold Riley
Business Development Manager
hriley@edc-see.ca

Halifax Office
Purdy's Wharf Tower II
Suite 1410
1969 Upper Water Street
Halifax, Nova Scotia
B3J 3R7
Tel.: (902) 429-0426
Fax: (902) 423-0881

David Surrette
Business Development Manager
dsurrette@edc-see.ca

Moncton Office
International Trade Centre
1045 Main Street
4th Floor, Unit 103
Moncton, New Brunswick
E1C 1H1
Tel.: (506) 851-6066
Fax: (506) 851-6406

Charles Gaudet
Business Development Manager
cgaudet@edc-see.ca

Other organizations that help exporters

Trade Team Canada — Export Info
1-888-811-1119
www.exportsource.gc.ca

Business Development Bank of Canada
1-888-463-6232
www.bdc.ca

Canadian Commercial Corporation
1-800-748-8191
www.ccc.ca

Alliance of Manufacturers and Exporters Canada
(613) 238-8888
(416) 798-8000
www.the-alliance.org

NorthStar Trade Finance
1-800-663-9288
www.northstar.ca

Western Economic Diversification
1-888-338-9378
www.wd.gc.ca

Canada-B.C. Business Service
1-800-667-2272
www.sb.gov.bc.ca

BC Trade and Investment Office
Tel: (604)-844-1900
www.ei.gov.bc.ca

The Business Link
1-800-272-9675
www.cbsc.org/alberta

Alberta Opportunity Company
1-800-661-3811
www.aoc.gov.ab.ca

Manitoba Trade & Investment Corp.
(204) 945-2466
www.gov.mb.ca

Saskatchewan Trade & Export Partnership
(306) 787-9210
www.sasktrade.sk.ca

Ontario Exports Inc.
1-877-46TRADE (8-7233)
www.ontario-canada.com/export

Atlantic Canada Opportunities Agency
1-800-561-7862
www.acoa.ca

KLIK ANIMATION FINDS ITS GLOBAL NICHE

EXPORTWISE

/April 2000

Published by Export Development Corporati

Metafix President John Riviera ↗

EXPORTING ENVIRONMENTAL SOLUTIONS

letafix is one of a growing number
f Canadian firms enjoying global
emand for their environmental
roducts and services

ALSO

→ **AFRICAN OPPORTUNITIES AND CHALLENGES**
Prudent exporters reap the benefits of the "African renaissance"

→ **COMPETITIVE EDGE**
Investing in Canada pays off for Siemens Westinghouse and its Canadian suppliers

/hy have a business code of ethics? | **Investing in the "new technology era"** | Export win in Nova Scotia

CONTENTS

SPRING/ APRIL 200

INDUSTRY FEATURE

10 EXPORTING ENVIRONMENTAL SOLUTIONS
Innovative Canadian exporters take advantage of a wealth of opportunities in the global environmental industry.

GEOGRAPHIC FEATURE

18 AFRICAN OPPORTUNITIES AND CHALLENGES
The "African renaissance" leads many Canadian companies to take a more serious look at Africa as an export destination.

21 Countries at a glance: Egypt, Ghana, South Africa, Tunisia
23 Economic overview: Africa on the road to prosperity

1 FROM THE PRESIDENT
Report to customers: Measuring success

2 GUEST COLUMN
Lessons from Sudan: Have a code of ethics...and stick to it

3 INSIDE TRACK

3 GLOBE 2000: Real solutions for a greener world

3 Export growth in Atlantic region prompts EDC expansion

4 *Export Wise* responds to readers' feedback

5 EDC launches International Studies Scholarships

5 "Let's Talk Risk" workshops

5 EDC Claims

6 EDC Appointments

6 EDC/HKCBA alliance yields benefits for Canadian exporters

6 EDC Mining Seminars

7 CASE STUDIES

7 Exports equal growth for Klik Animation

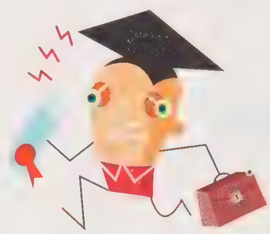
8 Canadian capabilities power global sales for Siemens Westinghouse

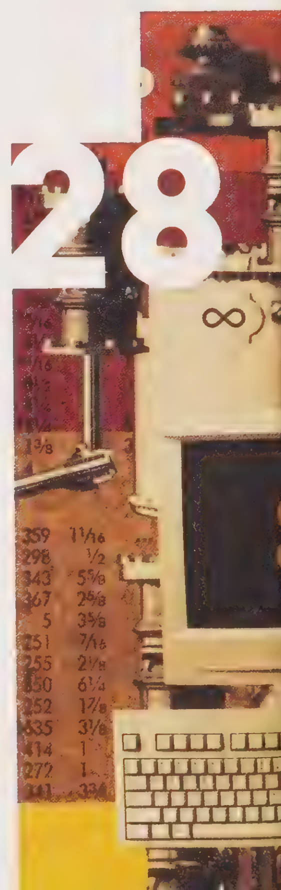
9 Nova Scotia consortium wins major cleanup bid in Brunei

24 INTER.NET.WORKING
An overview of five key Internet sites that provide extensive trade information

25 LINES OF CREDIT

28 ECONOMYWISE
Is this really a "new technology era"?





REPORT TO CUSTOMERS: MEASURING SUCCESS

At EDC, we are proud of our role in assisting more and more Canadian businesses like yours to compete and grow globally, together bringing home the benefits of new jobs, new ideas and enduring prosperity.

THROUGH OUR TRADE FINANCE and insurance services, combined with our risk management and deal-structuring expertise, we create opportunities and increase the capacity for Canadian firms of all sizes to export and invest in nearly 200 countries. In 1999, we served a record 5,182 customers. This represents 16 per cent more customers than in 1998.

We also measure our success by the volume of export sales and foreign investment that we help our customers generate for Canada. In spite of residual international uncertainty from the Asian financial crisis, this volume exceeded $40 billion in 1999, a solid 15 per cent more than in 1998. Overall volume of Canadian exports, in comparison, rose by 11.9 per cent, largely driven by automotive sector activity.

A third and vital measure lies in maintaining high customer satisfaction. We are pleased to report that EDC continues to meet your growing expectations for more choice in services and faster turnaround, all in an increasingly competitive international marketplace. Our overall customer satisfaction score in 1999 was 80.4 per cent, up from 79.8 in 1998.

Smaller exporters make up 97 per cent of Canadian exporters and account for 88 per cent of our client base. That's 4,009 SME customers branching out into 157 countries with our support in 1999. As well, our volume of support to Canadians operating in higher-risk markets reached $9.8 billion in 1999, up 10 per cent from the previous year, and involved some 175 countries. As customers have told us, without EDC's support, these deals would never have come to fruition.

The risks of doing business internationally are very real for Canadian companies and for EDC. The difference is that EDC is in the business of taking and managing those unexpected global financial risks on your behalf. As evidence of our increased risk profile, total claims paid in 1999 as a result of Canadian trade in 66 countries jumped to $134 million, from $72 million in 60 countries the year before.

Prospects for 2000

Canadian exports are forecast to grow at a healthy pace of between six to eight per cent in 2000. With the world economy continuing to expand, there is no better time than now for more Canadian businesses to leapfrog into global markets.

Our corporate objective for 2000 is to create and deliver capacity, capability and opportunities in support of Canadian companies pursuing international business.

> "With the world economy continuing to expand, there is no better time than now for more Canadian businesses to leapfrog into global markets."

Over the next five years, this translates into aggressive goals to: double our customer base; increase our capital base one and a half times; expand our network of partners to strengthen capacity in the private sector; and optimize the use of technologies for product delivery, among others.

We thank all our customers, employees and directors for EDC's many accomplishments in 1999. Together, we can take our expertise, products, services and partnerships to new heights in the new millennium.

A. Ian Gillespie
President and Chief Executive Officer

LESSONS FROM SUDAN: HAVE A CODE OF ETHICS... AND STICK TO IT

→Talisman Energy learned the importance of ethical standards the hard way. **by Mark Drake**

IT WAS REALLY A CLASSIC CASE of too little, too late. After much public criticism for the company's perceived activities in Sudan, the Board of Talisman Energy in Calgary adopted an "International code of ethics for Canadian business." Pity they had to learn the hard way that shareholders, employees, clients – and increasingly the public – are demanding that companies take a clear public position on the complex issue of international business ethics.

Unfortunately this lack of awareness – and action – is all too typical of the average Canadian company. Surprising, given the devastating effect that ignoring these issues have had on the reputation (and share value) of companies such as Talisman.

Top management of any company operating internationally should be fully aware of the issues – including Canadian legislation which criminalizes the bribery of foreign public officials – and should put in place a firm and clear policy on how to handle them. This policy should be introduced throughout the organization in a way that ensures genuine employee "buy-in." Management then has to ensure that mechanisms are put in place to ensure compliance.

The "International code of ethics" adopted by Talisman is a good starting point. Put together in 1996 by fourteen Calgary-based companies, it offers a general outline of beliefs, values, and principles. It is a good template to use for building a thorough code of conduct.

NEED MORE INFORMATION?
As a starting point, you may wish to review codes of ethics developed by other companies, most of which are publicly available. (EDC's Code of Ethics can be referenced at: www.edc.ca/about/code.html)

Also available is Industry Canada's general guide on voluntary codes, at: www.strategis.ic.gc.ca/volcodes

Several Canadian companies have already done this. For example, General Electric Canada (GE) has a 95-page policy document entitled "Integrity, the spirit and the letter of our commitment." It covers all the bases, including GE's categorical refusal to get involved in bribes of any kind. Alcan took two years to put together its 32-page "Code of Conduct" and introduce it to its 40,000 employees around the world. Nortel Networks has a 25-page policy called "Acting with integrity," and CanOxy has expanded its two-page "International Code of Ethics" to a full integrity program. A number of other companies have similar codes or integrity programs in place. These codes provide a reference for employees and clients, and are also available to shareholders and other interested parties. As a result, independent compliance verification is becoming increasingly important. A code of conduct which is ignored is worse than no code at all; it is empty rhetoric and, if things go wrong, it can become a convenient petard with which to hoist the company and its management.

While it takes effort and resources to put an effective code in place, there are compelling arguments for doing so. Potential questions from the media or from shareholders about a company's trade or investment in countries known for their human rights abuses will not go away. Nor will corruption in much of the developing world, until we try to stop it by refusing to pay bribes. Canadian companies should not introduce ethics policies simply to avoid being caught, like Talisman, with their proverbial pants down, but because it is the right thing to do. With the anti-globalization forces in full cry, companies will increasingly have to do (and be seen to do) the right thing, if they are to survive and prosper.

Mark Drake is President of Corsley Inc., and senior consultant on business ethics to the Alliance of Manufacturers and Exporters Canada. He can be reached at corsley@sympatico.ca.

INSIDETRACK

EDC news and events

GLOBE 2000: Real solutions for a greener world

by Toby Herscovitch

GLOBE 2000 CUTS THROUGH the slogans and looks for real solutions to protect and sustain our global environment. EDC is a major sponsor of this premier international conference and trade fair on environmental business opportunities. Held biennially, the event takes place this year in Vancouver, March 22-24, and is expected to draw some 10,000 business leaders and policy makers from more than 70 countries.

"Partnering with GLOBE is good for business and the environment. Participants get to exchange ideas, cultivate partnerships and share the latest in technological innovations that can improve our global environment," says Nancy Wright, Director, Marketing and Business Development for the GLOBE Foundation. "Sponsors like EDC ensure the ongoing success of this vital forum."

EDC is organizing three key events at the conference: a networking breakfast hosted by its president, A. Ian Gillespie; a session on Global Markets for Environmental Solutions moderated by EDC's Jim Christie, Vice-President, Western Canada; and another session dedicated to smaller businesses, moderated by Zenon Woychyshyn, Team Leader, Machinery and Equipment Team.

Headlining the Global Markets session will be EDC's Chief Economist Stephen Poloz and Jerome Esmay, Principal Engineer and Sector Specialist for Water and Waste Management, for the Washington-based International Finance Corporation. Poloz will highlight key economic and political trends that favour environmental business in various parts of the world, while Esmay will focus on global trends and niches in waste water services and projects.

The *Greener pastures: how smaller exporters can win in global markets* session is geared toward small- and mid-sized environmental firms, and will offer practical advice from Canadian companies who started small and are now winning big in the global "green" field. It will also offer financing and risk management solutions that make global growth easier. The panel includes: Hank Vander Laan, President, Trojan Technologies; Leslie Panek, Senior Vice-President, AGRA Earth and Environmental; Leroy Dahl, Marketing Manager, Global Dewatering; and, Kurt Rufelds, Director, EDC's Emerging Exporters Team. (See also "Exporting Environmental Solutions" on pages 10-17).

For more information on GLOBE 2000, visit www.globe.ca.

Export growth in Atlantic region prompts EDC expansion

by Deborah Chapman

To accommodate future growth, EDC is opening a new office in St. John's, Newfoundland this spring.

Export growth is on the upswing in Atlantic Canada, and shows no sign of slowing. "Newfoundland is forecast to record the fastest economic growth in Canada this year and in 2001," says David Surrette, EDC's Director of Business Development, Atlantic Canada. "The economy is also changing in that the province is now turning to export markets, as opposed to the more traditional Canadian markets."

EDC has been directly affected by this trend; it doubled its total business volume in the Atlantic region last year, from \$400 million in 1998 to \$1 billion in 1999.

EDC attributes increased business in Atlantic Canada to several factors, including improved opportunities in local economies, and partnerships with the Atlantic Canada Opportunities Agency, local chartered banks, and accounting firms.

The major industry sectors contributing to growth in this region are seafood, transportation, and oil and gas.

Export Wise responds to readers' feedback

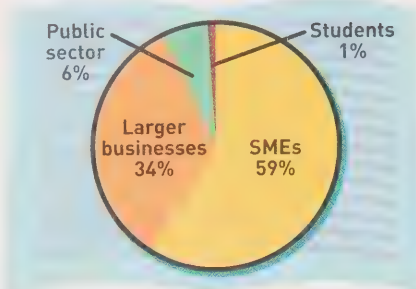
by Cathy Lynch

THERE IS MORE TO THE NEW design of *Export Wise* than meets the eye. Changes you will see in this and future issues are largely in response to our recent readership survey results. Our thanks to participants in the six external focus groups and 493 telephone surveys that comprised our research last November and December. Your feedback will enable us to evolve and continue to meet your needs.

Below are some highlights from our survey results. For more information, or to provide further comments or suggestions, please send an e-mail message to clynch@edc-see.ca.

Summary of findings:

- *Export Wise* is perceived to be unique (no directly competing export magazine).
- More than 80 per cent of subscribers spend time reading *Export Wise* (20 per cent spend more than 30 minutes).
- More than 40 per cent of non-readers identified "lack of time" as the reason.



Who are our readers?

- Most readers want to continue receiving a printed copy of the magazine, but would welcome more references to electronic sources of additional information.
- Readers are not interested in receiving the *Export News* insert as a separate, more frequent publication.
- Advertising by other organizations who support exporters is palatable, but private sector advertising is not well-supported.

[illegible]	How we responded
Make it easier to find key information.	More titles on the cover Improved table of contents Regular sections and feature articles more clearly identified
Make it as quick a read as possible.	More quick "bites" of information (eg. more sidebars, graphs) Summaries of key articles Text punctuated by more subheads and graphics
Give us the details about how EDC can help.	More interviews with EDC customers Greater detail about which products were used in each situation
Tell us where to get more information.	Contact information for each customer we profile More Web site listings
Do not break the flow of the magazine with *Export News* insert.	News items are now incorporated into the "Inside Track" section
More analysis/ commentary on trends.	Regular column by EDC's Chief Economist, Stephen Poloz Occasional guest columns on business trends

EXPORTWISE

EDITOR
Cathy Lynch
clynch@edc-see.ca

ASSOCIATE EDITOR
Julie Harrison
jharrison@edc-see.ca

EDITORIAL ASSISTANT/DESKTOP DESIGN
Deborah Chapman
dchapman@edc-see.ca

CREATIVE DIRECTION & PRODUCTION
Paul Cavanaugh, ACME Advertising + Design

FILM & PRINTING
The Lowe-Martin Group

CONTRIBUTORS
Tim Askew, Cressida Barnabe, Brenda Brown, Patricia Cameron, Deborah Chapman, Mark Drake, Maria Forde, Lynn Gauker, A. Ian Gillespie, Julie Harrison, Lyne Hébert, Toby Herscovitch, Marvin Hough, Jean-Marc La Flamme, Chantal Lalande, Cathy Lynch, Stephen Poloz, Johane Séguin, Patricia Smith and Claudia Verno

TRANSLATION
(from *Export Wise* to *Exportateurs avertis*)
Maguy Robert

ADVISORY BOARD
June Domokos, Andrew Douglas, Todd Evans, Françoise Faverjon-Fortin, Ruth Fothergill, Walt Hutchings, Leslie Kenway, Keith Milloy, Maguy Robert, Kurt Rufelds, Mary Van Buren and Jayne Watson

EDC
151 O'Connor Street
Ottawa, Canada K1A 1K3
Tel.: (613) 598-2500
Fax: (613) 237-2690
Web site: www.edc.ca

CPC Agreement No.: 1456571

Export Wise is published four times a year by Export Development Corporation (EDC), Canada's only financial institution devoted exclusively to providing trade finance services in support of Canadian exporters and investors in up to 200 countries.

We welcome letters of comment on articles that appear in *Export Wise* or on events and issues related to the Canadian export industry. Letters may be edited to meet the magazine's style and space requirements.

To contact the editor, call (613) 598-3093 or e-mail clynch@edc-see.ca.

All dollar amounts indicated in the magazine are in Canadian dollars unless otherwise specified.

Ce document existe également en version française sous le titre Exportateurs avertis.

EDC launches International Studies Scholarships by Patricia Smith

EDC WILL SOON LAUNCH its International Studies Scholarships for undergraduate and graduate students who are pursuing their studies in business or economics, with a focus on international business, international relations or finance at selected schools across Canada.

Undergraduate scholarships will be valued at $3,000 each and graduate scholarships will be valued at $5,000 each. In addition to the financial component, award winners will be offered summer or co-op employment at EDC.

The program will be administered by the Association of Universities and Colleges of Canada. Scholarship applications will be by faculty nomination, and award winners will be selected by an independent committee comprised of university and business community representatives.

This new initiative is part of EDC's larger Education and Youth Employment (EYE) strategy, whose mandate is to partner with educational institutions and key stakeholders to build an export culture in Canada.

EDC CLAIMS PAID

JANUARY 1, 1999 – DECEMBER 31, 1999

Companies	598
Claims	1,622
Cdn $ Total	$133,873,294
Export Markets	**Count**
Africa & Middle East	15
Asia & Pacific	43
Europe	161
South America	44
U.S. & Caribbean	1,359
Risks	
Default	1,196
Insolvency	369
Call of Bond	17
Repudiation	23
Political and Transfer	13
Termination of Contract	3
Import Permits	1
Payments	
Under $5,000	721
Between $5,001 and $100,000	751
Between $100,001 and $1 million	124
Over $1 million	26

Spring "Let's Talk Risk" workshop series by Lyne Hébert

EDC'S "LET'S TALK RISK" workshops bring together exporters, potential exporters, economists and risk management experts, to examine what is happening in the global marketplace today, and how to manage risk in today's ever-changing global economy.

Workshop participants gain critical information on the current economic and trade environment, as well as commercial market risk information; the opportunity to share experiences with other exporters; an overview of EDC's products and services; and, a copy of EDC's *Country Risks & Opportunities Guide* – a valuable reference book with detailed economic and credit summaries for more than 100 countries.

For further information, or to register, please call Lyne Hébert at (613) 598-2774.

The workshop schedule this spring includes:

April 11	**St. John's, NF**	**Hotel Newfoundland**
April 12	**Halifax, NS**	**World Trade & Convention Centre**
April 13	**Moncton, NB**	**Hotel Beauséjour**
April 14	**Bathurst, NB**	**Atlantic Host**
April 18	**Quebec City, PQ**	**Château Frontenac**
April 19	**Montreal, PQ**	**Loews Hotel Vogue**
April 25	**London, ON**	**London Convention Centre**
April 26	**Toronto, ON**	**Metro Toronto Convention Centre**
April 27	**Ottawa, ON**	**Château Laurier**
May 1	**Winnipeg, MB**	**Sheraton Winnipeg**
May 2	**Saskatoon, SK**	**Sheraton Cavalier Hotel**
May 3	**Edmonton, AB**	**Shaw Conference Centre**
May 4	**Calgary, AB**	**Telus Convention Centre**
May 5	**Vancouver, BC**	**Four Seasons Hotel**

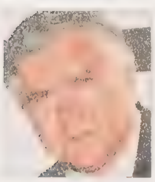
Appointments

Atlantic Canada: Director of Business Development

EDC has appointed **David Surrette** to the newly created position of Director of Business Development, Atlantic Canada. Prior to joining EDC in 1998 as a Business Development Manager in Halifax, David worked in the Atlantic region as Branch Manager for a number of Canadian banks, including the Bank of Montreal and HSBC Canada, and in Toronto on HSBC's commercial lending team.

Latin America: Representatives

To develop closer ties with Latin America and help create new trade opportunities for Canadian and Latin American businesses, EDC has appointed permanent representatives in Mexico and Brazil.



Claudio Escobar will become EDC's permanent representative for Brazil and the Southern Cone, based in São Paulo, Brazil. With more than 23 years experience in international trade and business development in the Americas, Claudio has indepth knowledge of the region and its markets, as well as an extensive background in trade policy, business negotiation, marketing and strategic planning.

Marvin Hough will become EDC's permanent representative for Mexico and Central America, based in Mexico City. During his 22-year tenure with EDC, Marvin has gained extensive experience in both financing and insurance capacities. His previous roles within EDC include business development in EDC's Vancouver and Toronto Regional Offices, as well as managing EDC's financing operations in the South Asia and Pacific North Asia regions.

Head Office: Team Leaders

EDC has appointed **Donna Choquette** as Team Leader, Agri-Food. Donna, a CGA, has gained diverse experience during her 19 years at EDC, having worked in Claims and Recoveries, Treasury and, most recently, on EDC's Financial Institutions Team.

EDC has appointed **Tom Sloan** as Team Leader, Consumer Goods. Tom, a CFA and CGA, previously worked as a Portfolio Manager and, more recently, Unit Leader within EDC's Credit Surveillance and Analysis Team. Prior to joining EDC, Tom worked as a Strategic Analyst with the Directorate of Costing Services at the Department of National Defense.

EDC Mining Seminars

Canadian mining companies looking to successfully compete in foreign markets will benefit from EDC's *"Discover the Tools for Global Success"* seminars.

Vancouver **March 27**

Toronto **March 30**

For more information or to register for the seminars, call 1-888-332-3320.

EDC alliance with Hong Kong-Canada Business Association yields benefits for Canadian exporters

"**THE ONGOING RELATIONSHIP** between EDC and the Hong Kong-Canada Business Association (HKCBA) has matured to the point where it is yielding tangible results that ultimately benefit Canadian exporters," says June Domokos, EDC's Vice-President, International Markets.

Formed in 1984, the HKCBA is a private and non-profit organization, dedicated to encouraging trade and investment between Canada and Hong Kong. It also promotes Hong Kong as the gateway to mainland China and the entire Asia Pacific Region, and structures its programs to educate its members about opportunities within the region.

The HKCBA maintains close ties with governments, trade associations and private enterprises throughout Canada and in the Asian Pacific Region. Today, it is the largest bilateral trade association in Canada, with over 2,500 members across eight cities.

Cooperation between EDC and HKCBA takes a variety of forms, and yields real benefits for Canadian exporters. For example:

- HKCBA provides a highly effective referral network for Canadian firms, EDC and other fellow members wishing to make contacts in the Asia Pacific Region;
- the ongoing "market intelligence" exchange between EDC and the HKCBA has significant benefit for both sides, enhancing services being offered to EDC customers and to HKCBA members;
- EDC has input into strategic plans of the HKCBA through its representative on the Board of the local Ottawa Chapter; and
- HKCBA has implemented Vicinities.com, a Web site that supports on-line communication between EDC and other members of the HKCBA, and enables EDC to maintain awareness of developments in the Asia Pacific Region.

EDC also participates in HKCBA organized events, both in Canada and Hong Kong, to familiarize members with how EDC can support their business objectives.

For more information, visit the HKCBA Web site at www.hkcba.com, or e-mail: hkcba@total.net.

XPORTS EQUAL GROWTH FOR KLIK ANIMATION

→Computer-generated animation has propelled this Montreal firm to success, both at home and abroad. **by Julie Harrison**

WHILE MOST ANIMATED characters are still hand-drawn by an army of illustrators somewhere in Asia, Montreal's Klik Animation has found a way to accelerate the process using computers.

"We are able to do in five hours what has traditionally taken four to six weeks," says Christophe Goldberger, Klik's General Manager. After just three years in business, Klik has established an international reputation for its 3-D character designs, modelling and animation. But it was its 1999 contract for *le JourNul de Francois Perusse* – the first animation series to be entirely produced and aired in the same day – that was Klik's real breakthrough. The industry attention that Klik has garnered from *le JourNul* has resulted in international opportunities, and tremendous growth.

Exporting animation skills

Klik recently secured its largest contract with TFC Trickompany, a subsidiary of EM.TV, one of Germany's largest animation producers and distributors. TFC Trickompany sought the skills of Klik for a new program, called Junior TV, produced entirely in German. (Klik's staff are able to work in German, as well as several other languages.) Which brings us to another major advantage of computer 3-D animation: the work does not have to be redrawn to produce a program into a new language, only the lip-syncing needs to be re-animated.

> "SECURING PAYMENT IS OF UTMOST IMPORTANCE IF AN INTERNATIONAL CONTRACT IS BROKEN. GOOD LUCK TAKING RECOURSE THROUGH ANOTHER COUNTRY'S LEGAL SYSTEM
>
> Christophe Goldberger
> General Manager of Klik

The significance of this contract prompted Klik to approach EDC for a medium-term contract insurance policy to secure payment. "Securing payment is of utmost importance. If an international contract is broken, good luck taking recourse through another country's legal system," notes Goldberger. Not only did the insurance policy protect Klik's contract, but also it helped the company obtain bank financing. To fulfill the EM.TV contract, Klik hired 19 new employees last December alone – essentially doubling its staff – and purchased additional computers and related technology.

In combination with Montreal software designers such as SoftImage, Kaydaya and Discreet, Klik is using its talent and energy to help create an exciting new high-tech niche for Canada.

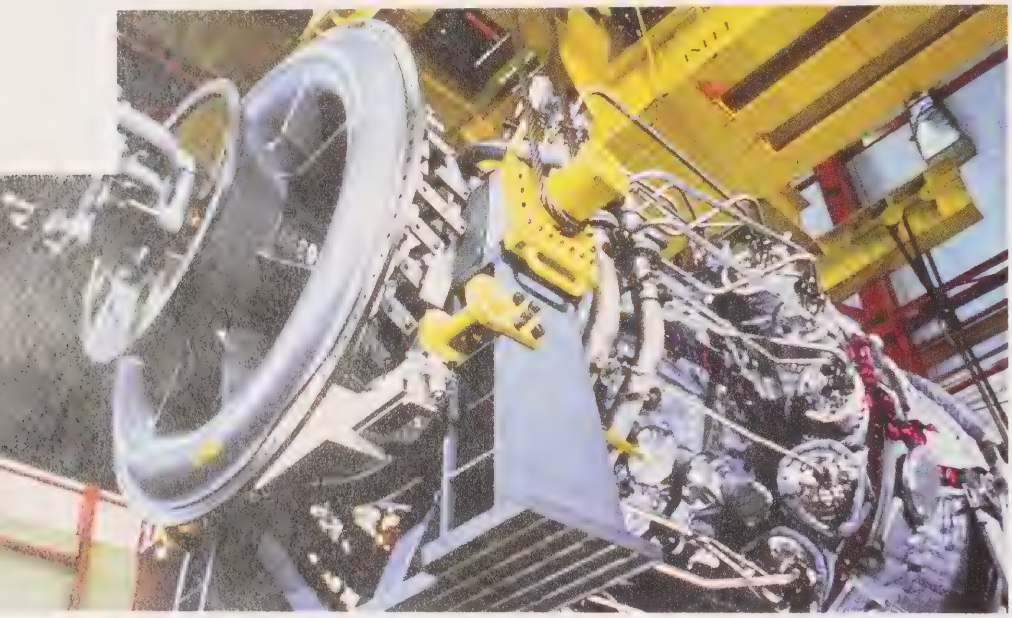
PROFILE

Business: 3-D characters
Export business (1999): 80% (up from 0% in 1997)
Export markets: Germany, United Kingdom, United States, Switzerland
Strategic markets: Europe
Export business finders: one-on-one sales calls and international trade shows
Number of employees: 40
EDC relationship: medium-term insurance used to secure contract and obtain bank financing.
www.klikanimation.com

CANADIAN CAPABILITIES POWER GLOBAL SALES FOR SIEMENS WESTINGHOUSE

→Moving all gas turbine assembly for North America to its Canadian plant has paid off for Siemens Westinghouse, and for its Ontario-based suppliers.

by Cressida Barnabe



THE SIEMENS WESTINGHOUSE W501F GAS TURBINE, PICTURED ABOVE, CAN PROVIDE POWER TO APPROXIMATELY 350,000 HOMES AND BUSINESSES.

A GLOBAL LEADER IN THE power generation market, Siemens Westinghouse has invested heavily in Canada, resulting in a competitive advantage for the company and yielding benefits for Canadian suppliers.

In the mid-nineties, Westinghouse Power Generation (now Siemens Westinghouse) had tough decisions to make. The market demand for gas turbines was stagnant, and competitive market pressures had seen the sale price drop by 25 per cent while production costs remained the same. To gain a competitive edge, Siemens Westinghouse had to improve efficiency.

A key decision was made to shut down the Westinghouse plant in Pensacola, Florida and shift the assembly of its gas turbines exclusively to its Canadian-based operations in Hamilton, Ontario. Since then, the market has rebounded and a tremendous growth in U.S. demand for gas turbines has resulted in short supplies of this long-lead item. To meet this demand, the Hamilton Plant has doubled production and added extra shifts in some manufacturing areas.

This trend is expected to continue, resulting in greater opportunities for Hamilton- and Ontario-based suppliers. For the company, according to Craig Laviolette, Chief Financial Officer at Siemens Westinghouse in Hamilton, "Using skilled labour and sourcing some parts in Canada at competitive prices has given us an advantage in the market." Currently, the Hamilton plant exports more than 95 per cent of its output.

A powerful partnership

EDC and Siemens Westinghouse have been business partners for more than 20 years. "The relationship had primarily focused on financing and insurance support in emerging markets," says Didier Delahousse, Relationship Manager for EDC's Mining and Power Team. "With the sales opportunities in the power market shifting to private-sector project developers, we have demonstrated to Siemens Westinghouse how EDC can be an innovative financial partner and bring value-added to their sales in all key markets, including the United States," he explains.

Relying on its extensive project finance experience, EDC took a leadership role in providing financing for private power plants, enabling Siemens Westinghouse to offer power project developers financing capacity in support of their projects.

EDC is now perceived by Siemens Westinghouse, and other players in the power industry, as a key financial partner and one of the leaders in merchant plant financing. Half of its project financing arrangements in the power sector have been in support of Siemens Westinghouse sales to U.S. developers, in the amount of US$145 million.

EDC's most recent support for Siemens Westinghouse has been substantial participation, at a co-arranger level, in the US$1 billion Calpine syndicated revolving facility for the construction of combined-cycle plants in the United States.

Siemens Westinghouse is now looking for ways to build on its success with its gas turbine operations, and apply the same winning formula to other groups within its global operations. "Our strong base in Canada, combined with EDC's flexible financial support, is the best guarantee for our continued success in projects around the world," says Peter Schürmann, Vice-President of the Power Generation Division at Siemens Canada Ltd.

PROFILE

Business: gas turbine manufacturing division of Siemens Canada
Export business (1999): $350 million
Export markets: United States, Europe, Mexico
Strategic markets: United States, Mexico
Export business finders: world-wide network of companies within Siemens
Number of employees: 6,300
EDC relationship: project financing, credit insurance
www.siemens.ca

NOVA SCOTIA CONSORTIUM WINS MAJOR CLEANUP BID IN BRUNEI

→By joining forces, three Nova Scotian companies plus one local Brunei company were able to land a US$15 million contract in the Sungai Bera Holding Basin. **by Brenda Brown**

When Brunei Shell Petroleum Company started looking for an environmental company to clean up more than 100,000 tons of oily sludge in the Sungai Bera Holding Basin, Inland Technologies Inc. of Truro, Nova Scotia was quick to respond. Having worked in Brunei since 1997, Inland was familiar with the market and the challenge ahead. It promptly put together a joint venture with two other Nova Scotia-based companies, plus a local partner in Brunei, each with specialties in key environmental niches.

Inland is a full-service waste management company specializing in the management of petroleum-based liquid wastes, contaminated water, glycol aircraft de-icing fluids and hazardous waste. Its consortium partners are Envirosoil Limited of Bedford, which specializes in recycling hydrocarbon contaminated soils; Jacques Whitford Environment Limited from Dartmouth, a world-renowned environmental sciences and engineering firm; and Haji Adinin and Sons of Brunei, offering construction, trading and manufacturing expertise.

After three years of intense negotiations with Shell, local officials, Canadian banks and EDC, the partners were awarded the three-year US$15 million contract, even though they were far from being the lowest bidder.

"We had a number of advantages," says Roger Langille, Inland's Senior Vice-President. "We had already established a secure foothold and sound reputation in Brunei; we had compiled a team with the right combination of skills and expertise; and we were able to secure the backing of EDC, a key requirement of both Shell and local government officials."

In the joint venture, Inland will operate and manage the facility, Envirosoil will provide its thermal technology to treat the contaminated waste, Jacques Whitford will manage the overall project, and Haji Adinin will provide local construction expertise.

According to Langille, finding the right local partner is imperative, not only to gain insight into local conditions but also because helping countries develop local expertise is often a key factor in securing a contract. "The local partner must have the right mix of technical and management expertise to enable them to acquire the knowledge and skills they need to take over when the contract is up."

Envirosoil is the only partner new to exporting. According to Sean O'Connor, Envirosoil's Vice-President of Business Development, "We have been working in the Atlantic provinces since 1992, and through our parent company Municipal Enterprises we are considered a major employer, but we've never exported our services before. We are confident this experience will lead to a growth in business and generate future employment for Nova Scotia."

O'Connor says Envirosoil originally approached EDC for export guidance, and because Shell was asking for a performance guarantee. "EDC was able to couple a performance guarantee with insurance – a comfortable way of doing business for the first time in a country 12 time zones away."

Don Elder, Group Vice-President, Jacques Whitford adds, "Although we've worked internationally for many years, and are among the major companies in environmental remediation in Canada, this is the first time we have worked on an international project of this magnitude. Having three excellent partners and the support of EDC was critical to our level of comfort in moving forward with this project."

THE PLAYERS

→**Inland Technologies Inc.** (www.inlandgroup.ca) will operate and manage the waste management facility in Brunei

→**Envirosoil Limited** (902-835-3381) is handling treatment of contaminated waste

→**Jacques Whitford Environment Limited** (www.jacqueswhitford.com) is lead project manager

→**Haji Adinin and Sons** is providing local construction expertise

→Metafix is one of a growing number of Canadian firms enjoying global demand for their environmental products and services. **by Cathy Lynch with contributions by Julie Harrison**

EXPORTING ENVIRONMENTAL SOLUTIONS

Metafix literally transforms one man's trash into another's treasure. It manufactures equipment to extract silver from the wet chemical waste of photo labs, hospital x-ray departments, printing companies and its other customers – all of whom use silver halide film. Not only does Metafix equipment recover 99.9 per cent of the silver used in the original materials, but it can also reduce the chemical volume of the waste so that it meets local and municipal environmental sewage codes.

When he founded the business 12 years ago, Metafix President John Riviere says customers were primarily interested in recovering silver. Today, the focus has shifted significantly. "Customers want a report on their chemical waste and

EXPORTER PROFILE

→Metafix

Business: innovative technology for photochemical recycling and silver recovery
Established: 1988
Number of employees: 45
Headquarters: Lachine, PQ
Annual sales: not public
Export business: 80%
Export markets: more than 30 countries, including the United States, Latin America, the United Kingdom, Europe, India and Asia
Strategic markets: developing countries
Export business finder: international trade shows
EDC relationship: short-term insurance; potentially financing
Contact: www.metafix.com

they want proof that they are meeting environmental standards," says Riviere.

To meet customers' needs, Metafix developed a breakthrough technology called MetaTrax, which can electronically track liquids passing through Metafix equipment ([illegible] effluent control). It provides daily, highly detailed information on the chemical content of the liquid waste, so each Metafix [illegible] the exact chemical ratios going down their sewers. "The benefits for the client and the environment are numerous. For instance, clients may discover that they [illegible] a certain chemical in their pro[illegible] and still achieve maximum results, resulting in cost savings for them while reducing environmental stress," Riviere comments. The MetaTrax monitoring technology can also alert clients when their systems need new filters or cartridges.

This computerized service has dramatically changed the way Metafix does business. Initially set up as a manufacturing company, Metafix distributed its product to service suppliers who in turn worked with end users. Today, Metafix is a full-service operation that works directly with end users. In some instances, instead of selling its equipment, Metafix adopts the mobile phone industry distribution model, giving away its product so that it can provide customers with the MetaTrax monitoring service. "It's a win-win situation. We install our equipment, and then our customers receive regular cheques based on, say, their chemical volumes or films processed – both of which they can control and audit," adds Riviere.

EDC adapts to meet evolving needs

Metafix began its relationship with EDC by using short-term insurance for every transaction, including domestic transactions. Riviere notes, "I considered insurance to be a necessary evil. As a small business, it is a significant part of our operating costs, but it's also wise business practice." He adds, "I see our relationship with EDC expanding to include financing, as we seek to establish global partnerships. We have been able to simplify our equipment, and we are able to offer a centralized monitoring system, so now we are in a position to establish partnerships worldwide. Partners would purchase Metafix equipment using EDC financing, and we would provide the monitoring service."

"Metafix is in the midst of a strategic shift from a product-oriented company to a service-oriented company," observes Harold Riley, EDC Business Development Manager, Information Technologies Group. "We will definitely be there to offer support in the form of buyer financing or lines of credit to potential partners," he adds.

Getting a piece of the action

Because the global environmental industry is relatively young, it presents a wealth of opportunities to firms who can supply innovative environmental products or services. Canadian firms have already made their mark in the industry, achieving international recognition for their expertise in developing water and wastewater treatment technologies, handling liquid and solid wastes, and manufacturing environmental equipment. Canadian expertise in environmental engineering and environmental consulting is also in high demand.

Not all environmental businesses started out specifically in this field. Like Metafix, there are many who identified the environmental industry as a lucrative niche, and adapted or expanded the scope of their business accordingly. Both Delcan Corporation and AGRA Inc. took the latter approach.

Founded in 1953, Delcan established its environmental business in 1996, specifically to provide consulting services in environmental engineering and science. According to Douglas Langley, Vice-President of Delcan's Environmental Division, there is tremendous demand for environmental infrastructure, and Canadian opportunities lie in providing project management and financing.

EXPORTER PROFILE

→Delcan

Business: international engineering, planning and project management
Established: 1953
Number of employees: 500-600
Headquarters: Toronto, ON
Annual sales: not public
Export sales: approx. 65%
Export markets: more than 15 countries, including Barbados, Colombia, Guatemala, Mexico, Peru, Trinidad, United States and Venezuela
Strategic markets: Central and South America
Export business finders: various
EDC relationship: medium-term insurance/bonding, financing
Contact: www.delcan.com

"Technically, the countries we work in have no shortage of skills – most of their engineers are trained in the same schools as ours. The shortage lies in money and management skills," observes Langley.

For overseas assignments, Delcan draws on qualified Delcan personnel who have intimate knowledge and experience in local customs, culture and business practices. The company promotes transfer of technical knowledge and assists overseas clients in the areas of project financing and equipment procurement. "To be effective at financing, we have to depend on EDC," adds Langley. "EDC is our ground base, then we top up using private sources."

In Venezuela alone, EDC has supported seven Delcan projects, six of which were in the environmental sector. One example is the Lake Maracaibo Rehabilitation project in Venezuela, for which EDC financed procurement of wastewater treatment and handling equipment. Lake Maracaibo had undergone severe degradation over the last century as a result of industrial development, intensive farming and urban growth. Delcan was engaged to review the situation, make recommendations and design wastewater systems to service the needs of two cities totalling 400,000 people. Project construction is valued at over $60 million, including four large sewage pumping stations and two sewage treatment plants to serve the future population. Delcan procured and arranged transportation of materials and equipment for the pipelines, pumping stations, and treatment plants. "EDC will finance projects like these in order to bring in Canadian goods and services," explains Langley. "However, because of EDC's Canadian content requirements, private money is needed for local goods and services used in a project."

AGRA Earth and Environmental Ltd. was an early entrant into the field and is now an international leader in the environmental industry, offering services in four key areas: environmental engineering; geotechnical engineering; materials engineering and testing; as well as water resource services and civil projects. Founded in 1951 as a division of the Canadian AGRA Inc., AGRA Earth and Environmental Ltd. now boasts a staff of more than 1,600, operating from more than 65 offices, with projects in more than 30 countries.

"We are fairly unique in Canada in that we offer the full range of environmental services from contamination clean-up, to environmental impact assessment, to socio-economic and public consultation," says

EXPORTER PROFILE

→AGRA Earth and Environmental Ltd.

(A division of AGRA Inc.)

Business: a full-service earth and environmental consulting firm that provides multi-disciplined solutions covering all aspects of environmental, geotechnical engineering, materials testing and water resource services.
Established: 1951
Number of employees: over 1,600
Headquarters: Calgary, AB
Annual sales (1999): $160 million
Export business: 60% (approx. 90% of that in the United States)
Export markets: Africa, Asia, Europe, South America, United States, Russia
Strategic markets: Peru, Japan, China, Russia
Export business finders: industry contacts
EDC relationship: medium-term insurance/bonding
Contact: www.agra.com

"I CONSIDERED INSURANCE TO BE A NECESSARY EVIL. AS A SMALL BUSINESS, IT IS A SIGNIFICANT PART OF OUR OPERATING COSTS, BUT IT'S ALSO WISE BUSINESS PRACTICE. I SEE OUR RELATIONSHIP WITH EDC EXPANDING TO INCLUDE FINANCING, AS WE SEEK TO ESTABLISH GLOBAL PARTNERSHIPS."

John Riviere, President of Metafix

EXPORTER PROFILE

→Trojan Technologies Inc.

Business: environmentally positive ultraviolet light applications for water and wastewater disinfection
Established: 1976
Number of employees: 350 worldwide
Headquarters: London, ON
Annual sales (1999): $89.9 million (up $20 million each year for past three years)
Export sales: 91.5%
Export markets: United States (82.5%), Europe, Australia, New Zealand, Latin America, Middle East
Strategic markets: Pacific Rim, Europe
Export business finders: leads are generated from manufacturing representatives worldwide
EDC relationship: short-term insurance
Contact: www.trojanuv.com

Leslie Panek, Senior Vice-President of the Environmental Division of AGRA Earth and Environmental Ltd.

When AGRA began to focus on overseas export markets in 1990s, it encountered higher costs and higher risks. "Our relationship with EDC was, and continues to be, driven by the need for risk management," explains Panek. AGRA's response has been to ensure that contracts are structured carefully, and to consider accounts receivable insurance. "We insure deals with EDC when we consider clients, not necessarily markets, to be high risk. In particular, foreign government-related contracts can be of concern," he explains.

Water purification a Canadian niche

One area in which Canadian firms have developed an international reputation is water and wastewater treatment technologies, particularly because of Canada's innovative product offerings. "The export market for purification and disinfection of drinking water is growing, driven by new drinking water legislation in developed markets like the United States and continued growth in demand for drinking water in emerging markets. Canadian companies have developed unique systems that can competitively meet today's high drinking water standards," observes Carl Burlock, a Financial Services Manager on EDC's Machinery and Equipment Team.

In business for more than 20 years, Trojan Technologies Inc. specializes in ultraviolet (UV) light applications for disinfecting drinking water in both industrial and residential settings, and is the world's largest supplier of UV municipal wastewater disinfection systems. Already, over 2,000 Trojan UV systems are treating municipal wastewater in more than 30 countries around the world; more than 6,000 industrial process/product water disinfection systems are operating in diverse industries; and Trojan's small residential systems are providing bacteria-free drinking water to over 200,000 households worldwide.

The UV disinfection process is more effective on a wide range of pathogens, and is faster than traditional chlorine treatment – typically less than 10 seconds compared to the 20 minutes to one hour required for chlorine water treatment. In addition, because UV disinfection requires no chemicals, it is more environmentally friendly, and offers greater safety for operators. According to Diana Cunningham, spokesperson for Trojan, UV disinfection offers the lowest operating cost of any disinfection process, resulting in reduced capital costs and lower liability insurance premiums. Other benefits include ease of operation, smaller space requirements, and minimal system maintenance.

Exports currently account for over 90 per cent of all Trojan's sales, with the United States absorbing the great majority. These sales are generally on short terms and, with the high rate of U.S. bankruptcies, it comes as no surprise that Trojan mitigates risk by using EDC short-term accounts receivable insurance. Global market expansion is definitely on the rise for Trojan. "The UV disinfection industry is growing 30 per cent annually,

GLOBALIZATION AND THE ENVIRONMENT

Concerns around globalization leading to lower environmental standards escalated at the recent World Trade Organization meeting in Seattle. The fear is that trade liberalization will lead to a decline in environmental standards as the international competition intensifies.

OECD research, however, indicates otherwise. Here are highlights of their findings:

- → Trade liberalization speeds up the transfer, adoption and diffusion of environmentally friendly technologies.
- → Trade liberalization contributes to wealth creation and poverty is often the underlying cause of environmental degradation in many developing countries. Wealth creation also allows for means to pay for the prevention and clean-up of pollution.
- → Studies show that pollution intensity has grown most rapidly in those countries that remained most closed to world market forces. In turn, this lends support to the view that openness to foreign competition is more likely to raise than lower environmental standards.
- → Fears of massive redeployment of production towards low-standard countries are greatly overstated. In fact, experience shows that openness to trade and investment generally translates into increased pressures for more stringent environmental standards.

Although trade liberalization is not the root cause of environmental problems, the development of multilateral agreements is an important protective mechanism. In this regard, EDC continues to play an important leadership role in the international financial community on environmental issues by promoting at the OECD a strengthened multilateral approach on environmental practices for all trade finance institutions.

EDC has also signed the United Nations Environmental Program Statement by Financial Institutions on the Environment and Sustainable Development; hosted an international environmental workshop for export credit agencies and international finance institutions; plays an active role in Canadian Environmental Industry Association (CEIA) provincial chapters; and is a major sponsor of Globe 2000 (see article on page 3).

If you are interested in knowing more about EDC's environmental review framework, please visit our Web site at www.edc.ca/environment.

"WE HAVE LEARNED THAT WATER-TIGHT PAYMENT TERMS ARE ESSENTIAL, YOU CAN'T PROTECT YOURSELF ENOUGH. EVEN IF YOU TRUST THE PEOPLE YOU ARE DEALING WITH, YOU CAN'T ALWAYS TRUST THE SITUATION."

Sue Coopland, Financial Controller of Aqua-Guard Spill Response

worldwide," says Cunningham. She projects that as clean water becomes less readily available in countries such as India and China, Trojan will become more active in these markets.

For Zenon Environmental Inc., overseas markets already absorb a large part of exports. Zenon is a global leader in the development and manufacturing of membrane technologies for water treatment, wastewater treatment and water reuse. Zenon has developed a unique immersed hollow-fiber membrane that operates under a slight vacuum, drawing clean water to the inside of the membrane fiber, while leaving contaminants in the container housing the membrane. In contrast to conventional methods, this technology treats the water without using a lot of chemicals and without producing a lot of sludge.

"Our membrane technology processes water that would otherwise be undrinkable, and makes it potable," explains John Clausen, Treasurer at Zenon. He says that while there are a myriad of export opportunities for water treatment technologies in developing countries, as well as in other countries experiencing water shortages for various reasons, money is often a problem. "Without EDC, it would be difficult for us to go in and sell water filtration systems in the \$50 to \$100 million dollar range," he explains. "We've been working with EDC since the late 1980s. We use the products extensively to support our initiatives in markets that are at various stages of reconstruction, or experiencing rapid population growth. For example, right now the Middle East is a significant and growing market for us, and many of our transactions need direct insurance or financing."

With a global water treatment market of potentially billions of dollars as yet untapped, Clausen predicts that demand for financing and accounts receivable insurance will continue to increase. His wish list includes assistance with pulling together syndicates, including all sources of financing and insurance, sometimes needed to fulfill large export contracts.

Smaller exporters dominate industry

According to Industry Canada, the environmental industry encompasses more than 4,000 firms, a majority of which employ fewer than 50 people. While two thirds of these firms provide environmental services, the remaining third are manufacturers of a broad range of environmental products.

Two of EDC's lesser known products that can benefit many smaller firms, and consulting firms in particular, are Performance Security Guarantees (PSGs) and Performance Security Insurance (PSI). "Doing business abroad often requires that an exporter provide bonds and guarantees to their customers to cover, among other things, the exporter's bid, performance, or advances received," explains Richard Whitty, a Financial Services

EXPORTER PROFILE

→Zenon Environmental Inc.

Business: advanced membrane products and services for water purification, wastewater treatment and water recycling
Established: 1980
Number of employees: approx. 450
Headquarters: Burlington, ON
Annual sales: \$100 million
Export sales: 80% plus
Export markets: Middle East, Lebanon, Kuwait, Iraq, Asia, China, Europe, Australia, South America, United States
Strategic markets: developing countries
Export business finders: primarily direct sales; leads also come in via subsidiaries, consultants, etc.
EDC relationship: medium-term insurance/bonding, financing
Contact: www.zenonenv.com

Manager on EDC's Civil Works and Professional Services Team. This security may be provided in the form of a bank guarantee, which is generally payable upon demand.

To obtain letters of guarantee from their banks, exporters typically need collateral. But to provide this collateral, the exporter's working capital – generally needed to pursue the contract – can be monopolized. For this reason, many exporters opt for EDC's PSG guarantee, which provides a bank with 100 per cent coverage against a call on the letter of guarantee and acts as a source of collateral security. While EDC's PSG guarantee is a useful tool for exporters to meet the collateral requirements of the bank, EDC's PSI insurance protects exporters against 95 per cent of losses incurred from a wrongful call. For exporters who have committed their working capital or operating line of credit against the guarantees – which can be as much as 25 per cent of the project's total value – EDC's PSI insurance is critical protection.

EXPORTER PROFILE

→Aqua-Guard Spill Response Inc.

Business: designs, manufactures and supplies oil spill response equipment and services
Established: 1992
Number of employees: 6
Headquarters: Vancouver, BC
Annual sales (1999): approx. $3 million
Export sales: 90%
Export markets: include North and South America, Middle East, Russia, Europe, Asia, Australia
Export business finder: 60 agents worldwide representing Aqua-Guard products
EDC relationship: medium-term insurance/bonding
Contact: www.aquaguard.com

"We have learned that water-tight payment terms are essential, you can't protect yourself enough. Even if you trust the people you are dealing with, you can't always trust the situation," observes Sue Coopland, Financial Controller of Aqua-Guard Spill Response Inc. and one of three partners in the business. Aqua-Guard designs, manufactures and supplies oil spill response equipment and services. The firm takes pride in its high-quality range of products, and is the only company in Canada that manufactures a full range of oil spill clean-up equipment, including oil spill containment booms and oil skimmers.

According to Coopland, Aqua-Guard began exporting almost immediately after its incorporation in 1992, and used EDC right from the start. "We choose to use EDC's PSG guarantee to help us have letters of guarantee issued for bid bonds and performance bonds, which we also insure with EDC's PSI insurance. Using EDC for our bonding allows us to free up our cash flow, and insuring the bonds with EDC gives us piece of mind."

Aqua-Guard also uses EDC accounts receivable insurance. Coopland says the customer check that EDC does before insuring a deal, and EDC's knowledge of credit ratings in foreign countries, provides her with a higher confort level. Aqua-Guard has also turned to EDC to provide coverage on more complex transactions. "For example, when we were dealing for the first time with a transfer Letter of Credit in Thailand, we used EDC insurance as a backup," explains Coopland. She adds that the customer check that EDC does before insuring a deal, and EDC's knowledge of credit ratings in foreign countries, provides her with an a higher comfort level.

GSI ENVIRONMENT

EXPORTER PROFILE

→GSI Environment

Business: integrated waste management and contaminated site remediation solutions
Established: 1987
Number of employees: 100
Headquarters: Sherbrooke, PQ
Annual sales: $13 million
Export sales: 35%
Export markets: United States (30%), Europe (4%) and South America (1%)
Strategic market: United States
Export business finders: industry contacts
EDC relationship: short-term insurance
Contact: (819) 829-0101

While the company has not had any major catastrophes, EDC did pay a claim on a deal in Taiwan about five years ago. Coopland says it is critical to keep documentation up to date, in case a claim situation arises. "The client always tries to make up some excuse to justify non-payment, so you need documentation to show that you have fulfilled the contract. If we sense something is going to go wrong, we make sure we document everything and we give EDC warning."

In addition to guaranteeing payment, insurance can sometimes make or break a deal, as GSI Environment discovered recently. GSI supplies integrated waste management and contaminated site remediation solutions. It collects both organic and inorganic solid and liquid wastes, as well as hazardous municipal and industrial wastes, from generators. It then manages, treats and recycles the waste, as appropriate.

LOOKING FOR A BUSINESS PARTNER?

Partnering with another Canadian company that has a complementary product or service can prove helpful when competing internationally. Here are some Web sites that can assist you with the search.

Canadian Environmental Success Stories
(www.strategis.gc.ca/SSG/ea01338e.html)
Indicates which environmental Canadian companies are working in which countries, and describes their activities. A handy reference site to see who is already doing business in your strategic markets.

WIN Exports and Canadian Company Capabilities Database
(www.dfait-maeci.gc.ca/iboc-coai)
Canadian companies registered in this database are matched with international trade leads provided by Canadian trade commissioners and commercial officers around the world.

The Environmental Industry Virtual Office
(virtualoffice.ic.gc.ca/on/english/par.htm)
This is a public-private sector partnership designed to provide users with direct access to a variety of environmental entities across all levels of government, academia, industry and associations. The Virtual Office format provides a central access point to all the information you need, listed under four main quadrants: Human Resources, Domestic and International Markets, Research & Development and Investment & Financing.

Canadian Environment Industry Association (CEIA)
(www.ceia.org)
Subdivided into provincial chapters, the CEIA is a business association that represents the interests of the environmental industry. It serves as an advocate for the industry, provides a range of business services, and provides business development support. This Web site will provide you with information on CEIA, and offers useful links to other relevant Web sites.

Each one of the company's operating centres focuses on specific treatments. For example, GSI has a centre in Bury, Quebec that deals with bio-solids and other transformable wastes where they can be stored, composted or treated if reusable. The company's plant in Cowansville allows them to treat and transform sludge and to also compost dewatered sludge, and in Sainte-Croix-de-Lotbinière it treats contaminated soils by biodegradation and bioventilation. GSI can also store biosolids on a temporary basis before moving them to a permanent site.

Though it has been exporting for 10 years, the company just signed its first insurance policy with EDC late last year, to help land a large U.S. contract. According to Alain Boissonneault, General Manager, "We would have not obtained that contract without the help of EDC. We needed the insurance to guarantee credit on an additional $150,000 and EDC made it happen very quickly. Within a day of our first call, the accounts receivable was set-up." GSI exports approximately 35 per cent of its services, primarily to the United States (30 per cent); its remaining exports go to Europe and South America.

Project financing opens doors

Project financing is the deal maker for Lurgi Lentjes Bischoff Ltd., a Canadian supplier of high-technology air pollution control, gas cleaning, wastewater treatment and combustion systems. "The reason this company exists is because of EDC financing," says Terry Smith, President. "In addition to the right technology, a strong market presence, a solid relationship with the customer, and an understanding of the country you are targeting for export, you need a good financing package."

Like Delcan, Lurgi uses EDC project financing as leverage in negotiating contracts. A recent Lurgi success story is the $20-million contract it was awarded by the Dallman power station in Springfield, Illinois. By early 2001, Lurgi will design and install a flue gas desulphurization system to remove sulphur dioxide from power station emissions. This will enable the power station to meet U.S. Clean Air Act requirements, and produce gypsum as a by-product (to be sold by the city of Springfield to drywall manufacturers). This contract is significant not only because of its size, but also because of the customer involved – local U.S. government – and the stiff competition. "We have taken on world-class competition in a very formal bidding process, and won," notes Smith.

A statement we hope to hear from increasing numbers of Canadian environmental exporters in the future.

EXPORTER PROFILE

→Lurgi Lentjes Bischoff Ltd.

Business: offers a complete range of high-technology air pollution control, gas cleaning, wastewater treatment and combustion systems
Established: 1995
Number of employees: 24
Headquarters: Cambridge, ON
Annual sales (1998): $9 million
Export sales: 95%
Export markets: United States, Turkey, Brazil
Export business finder: primarily direct sales; sometimes through partnerships or consortia
EDC relationship: financing
Contact: lentjes@lentjes-bischoff.on.ca

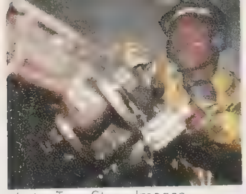


photo: Tony Stone Images

→The "African renaissance" yields opportunities for prudent exporters in a number of key sectors.

by Tim Askew and Julie Harrison

AFRICAN

OPPORTUNITIES AND CHALLENGES

SEVERAL DEVELOPMENTS have led many Canadian companies to take a more serious look at Africa as an export destination. Touted by South Africa's President Mbeki as an "African Renaissance," these developments include deregulation and privatization of state-owned enterprises; emerging equity and capital markets; structured financing of corporate transactions; and progressive economic and political changes.

Indicative of growing Canadian interest in Africa is EDC's 1999 support of $509 million worth of transactions, in 31 African markets. This is up from $356 million in 1998 when EDC provided support in 28 markets. EDC's total support for Canadian exporters and investors in Africa now stands at $2.3 billion in the last six years. Approximately $1 billion of this total support involved medium- to long-term financing services, with the balance of support employing EDC short-term insurance. Canada's largest market in Africa is Algeria, followed by South Africa.

This "renaissance" presents EDC and Canadian exporters and investors with new opportunities, as well as challenges. It seems, however, that the greatest challenge is to continually find ways of adding value to the market, and thus maintaining an edge over international competitors.

SNAPSHOT

→Canadian exporters in the telecommunications, power, transportation, mining, and oil and gas sectors are well positioned to take advantage of Africa's privatization in these areas.

→Some promising African markets that EDC is focusing on are Egypt, Tunisia, Morocco and South Africa.

→Consideration of these and other African markets sometimes require the use of risk mitigating factors based on payment terms, currency and participants involved.

Deregulation and privatization generate opportunities

Among the African sectors undergoing privatization are telecommunications, power, transportation, water, mining, and oil and gas – all sectors in which Canadians have significant expertise and a world-class reputation for excellence. As a result, the potential for Afri-Can trading relationships is tremendous.

Consider that Africa has only one telephone line per 100 people, leaving 730 million Africans without access to a telephone line. This great shortfall has created enormous demand, and resulted in deregulation of the African telecommunications industry, led by South Africa, Ghana, Kenya, Senegal, Egypt and Morocco. On the rise are mobile networks, with almost 20 new – mostly private-sector – networks launched between 1997 and 1998, resulting in an estimated 5.5 million cellular subscribers to-date.

Mirroring the telecommunications deregulation movement is the power sector. The Ivory Coast, Guinea and Gabon have already privatized their power industries and Egypt's government has begun issuing contracts for power stations, the first of which was Sidi Kir and involved $49 million in EDC financing.

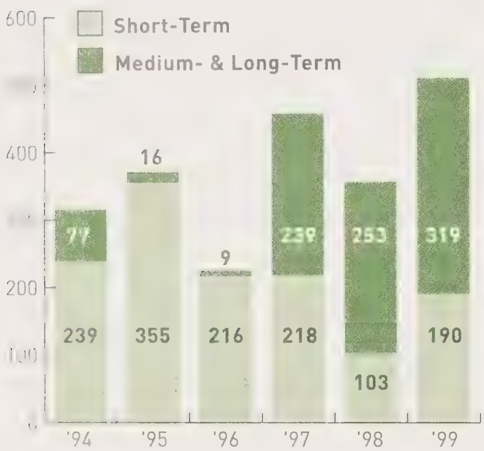
The transportation industry too has begun to go commercial. Witness the


REUTERS
NEXT WEEK IS No 14
31

privatization of Kenya Airways and South African Airways. With passenger traffic through African airports increasing annually by four per cent, demand is high for automated check-in, flight management and revenue functions as well as improved navigational and communications equipment. Airports in Accra, Johannesburg, Cape Town, Durban, Harare, Abidjan and Cairo are among many already being upgraded. The African air transport industry has also expressed a critical need for specialized consulting services and training, as well as additional regional feeder aircraft.

EDC's activities in Africa (1994-1999)

in millions of dollars



Gabon has led the way for privatization in the water sector. Others, such as South Africa are following suit, with BOT (build-own-transfer) concessions being the preferred project structure.

Of course, water is just one area of need; it is estimated that there is a US$20 billion plus need for commercially run infrastructure projects in sub-Saharan Africa alone, requiring both foreign and local equity and financing.

In addition, the growing presence of Canadian mining companies in Africa is expected to result in an increased demand for EDC political risk insurance (PRI) and financing. As African countries introduce more liberal investment and mining codes, Canadian mining companies have become particularly active, forming partnerships with senior South African and Canadian mining houses. Because of this sector's overall increasing need for innovative financial services, EDC has been working closely with several Canadian companies to meet their particular needs and expects its involvement in the African mining industry to grow.

Africa's oil and gas sector is also deregulating, resulting in an array of public-private projects. The Chad-Cameroon pipeline, the West African pipeline, and the possibility of gas supply from Mozambique to South Africa are project examples. Africa's major oil producers are Algeria, Nigeria and Angola; other producers in the oil and gas sector with project potential include Ivory Coast, Mozambique and Namibia. Egypt's two new exploration projects are also attracting a sizable number of bids.

Regional diversity

The diversity apparent among the African nations means that only by taking a regional approach can one assess the true potential of trade and investment in Africa. Some countries EDC has identified as having high potential include Egypt, Tunisia, Morocco, as well as South Africa (with the largest economy by far on the continent).

Since 1991, Egypt has been growing at an annual rate of about five per cent, making it one of the strongest African economies. Increasing their presence in Egypt are large international corporations in the petrochemical, pharmaceutical, software, automotive, and agri-food sectors. For their part, Canadian companies are participating as suppliers of efficiency-enhancing electrical equipment and mechanical machinery to these aforementioned sectors. Other supplier opportunities include chemical, pulp and paper and base metals. Future plans for improving the nation's transportation systems will also open up opportunities for engineering, procurement and construction companies focusing on land transit and port rehabilitation niches.

Governments in both Tunisia and Morocco are undertaking the privatization of many formerly state-owned entities in an effort to motivate capital, diversify industrial bases and attract foreign direct investment. Since both of these economies rely heavily on agriculture, Canadian companies with technologies that can boost efficiency are sure to find trade opportunities.

Sourcing annual imports of US$28 billion, South Africa continues to offer opportunities for Canadian companies. Already, more than 70 Canadian companies have investments, subsidiaries, joint ventures or representation in South Africa. To date, the sectors most successfully exploited by Canadian companies in this region

Egypt at a glance

Population: 64 million
GDP per capita: US$2,860
GDP growth: 5.2%
Inflation: 4.8%
Canadian exports: $145 million
Canada's market share: 0.7%
Current account balance: US$-2.9 billion

EDC's position
Short-term: Experience satisfactory. Open without restrictions.
Medium/long-term: Good experience. Open, subject to an overall exposure guideline.
Political risk insurance: Open for cover.

Canadian opportunities
Telecommunications, transportation, oil & gas
Language: Arabic (English is understood by all educated Egyptians)
Time difference: EST + 7 hours
Currency: Egyptian Pound

Who to contact

Canadian Embassy in Egypt
André Laurent Potvin
Counsellor (Commercial) and Consul
Tel.: (011-20-2) 354-3110
Fax: (011-20-2) 354-7659

Embassy of Egypt
Bahaa El Attar
Minister Counsellor
Head of Commercial Office, Ottawa
Tel.: (613) 238-6263
Fax: (613) 238-2578
E-mail: comoff@netrover.com

DFAIT
Michael Scott-Harston
Desk Officer
Tel.: (613) 944-6346
Fax: (613) 944-7975
E-mail: michael.scott-harston@dfait-maeci.gc.ca
Internet: www.dfait-maeci.gc.ca

CIDA INC
Patricia Pounienkow
Program Manager
Tel.: (819) 997-0569
Fax: (819) 953-5024
E-mail: patricia_pounienkow@acdi-cida.gc.ca
Internet: www.acdi-cida.gc.ca

SOME KEY AFRICAN MARKETS

EDC
Contact the EDC regional office nearest you (see listing, inside back cover) or EDC's Regional Manager Middle East, Ihab Tadros, (613) 598-2713 or e-mail at itadros@edc-see.ca.

Ghana at a glance

Population: 18.5 million
GDP per capita: US$390
GDP growth: 5.5%
Inflation: 12.5%
Canadian exports: $48 million
Canada's market share: 2.8%
Current account balance: US$-0.4 billion

EDC's position
Short-term: Limited experience. Open on a case-by-case basis.
Medium/long-term: Open with private or semi-private sector, subject to an overall exposure guideline
Political risk insurance: Open for cover on a case-by-case basis.

Canadian opportunities: Mining, telecommunications, oil and gas, power
Language: English
Time difference: EST + 5 hours
Currency: Cedi

Who to contact

Canadian High Commission in Ghana
Michael Siewecke
First Secretary (Commercial)
Tel.: (011-233-21) 228555
Fax: (011-233-21) 773-792
E-mail: michael.siewecke@dfait-maeci.gc.ca

High Commissioner for Ghana
Emmanuel Addy
Minister Counsellor
Tel.: (613) 236-0871
Fax: (613) 236-0874

DFAIT
Paul-André Gagnon
Desk Officer
Tel.: (613) 944-0396
Fax: (613) 944-7437
E-mail: paul-andre.gagnon@dfait-maeci.gc.ca
Internet: www.dfait-maeci.gc.ca

CIDA INC
Suzanne Dubois
Program Manager
Tel.: (819) 994-1677
Fax: (819) 953-5024
E-mail: suzanne_dubois@acdi-cida.gc.ca
Internet: www.acdi-cida.gc.ca

EDC
Contact the EDC regional office nearest you (see listing, inside back cover) or EDC's Regional Manager for Ghana, Johane Séguin, (613) 598-2762 or e-mail at jseguin@edc-see.ca.

South Africa at a glance

Population: 44.6 million
GDP per capita: US$2,990
GDP growth: 0.5%
Inflation: 6.5%
Canadian exports: $295 million
Canada's market share: 0.5%
Current account balance: US$-2.7 billion

EDC's position
Short-term: Open without restrictions.
Medium/long-term: Open, subject to an overall exposure guideline.
Political risk insurance: Case-by-case.

Canadian opportunities
Machinery and equipment
Language: 11 official languages, English for business
Time difference: EST + 6 hours
Currency: Rand

Who to contact

Canadian High Commission
Trade Office in Johannesburg
Jean-Pierre Hamel
Senior Trade Commissioner
Tel.: (011-27-11) 442-3130
Fax: (011-27-11) 442-3325
E-mail: jean-pierre.hamel@dfait-maeci.gc.ca

South African High Commission
Leon Jordaan
First Secretary
Tel.: (613) 744-0330 ext. 7003
Fax: (613) 741-1639
E-mail: rsafrica@sympatico.ca

South African Consul (Trade)
Dr. Martin Nicol
Consul (Trade) – Senior Trade Commissioner
Tel.: (416) 944-8825
Fax: (416) 944-0925
E-mail: satrade@sympatico.ca

DFAIT
Daniel Vezina
Trade Commissioner
Tel.: (613) 944-8134
Fax: (613) 944-7437
E-mail: daniel.vezina@dfait-maeci.gc.ca
Internet: www.dfait-maeci.gc.ca

EDC
Contact the EDC regional office nearest you (see listing, inside back cover) or EDC's Regional Manager for South Africa, Tim Askew, (613) 598-6619 or e-mail at taskew@edc-see.ca.

Tunisia at a glance

Population: 9.5 million
GDP per capita: US$2,175
GDP growth: 4.5%
Inflation: 3.5%
Canadian exports: $37 million
Canada's market share: 0.4%
Current account balance: US$-0.7 billion

EDC's position
Short-term: Good experience. Open without restrictions.
Medium/long-term: Limited experience. Open without restrictions.
Political risk insurance: Open for cover.

Canadian opportunities
Transportation, mining, energy
Language: Arabic (official language) & French
Time difference: EST + 6 hours
Currency: Dinar

Who to contact

Canadian Embassy in Tunisia
Russell Merifield
Counsellor (Commercial) and Consul
Tel.: (011-216-1) 796-577 ext. 3351
Fax: (011-216-1) 792-371
E-mail: russell.merifield@dfait-maeci.gc.ca

Embassy of the Republic of Tunisia
Tarek Ben Youssef
Economic Counsellor
Tel.: (613) 237-0330
Fax: (613) 237-7939

DFAIT
André Landry
Desk Officer
Tel.: (613) 944-8288
Fax: (613) 944-7431
E-mail: andre.landry@dfait-maeci.gc.ca
Internet: www.dfait-maeci.gc.ca

CIDA INC
Réjean Hamel
Program Manager
Tel.: (819) 997-2050
Fax: (819) 953-5024
E-mail: rejean_hamel@acdi-cida.gc.ca
Internet: www.acdi-cida.gc.ca

EDC
Contact the EDC regional office nearest you (see listing, inside back cover) or EDC's Regional Manager for Tunisia, Johane Séguin, (613) 598-2762 or e-mail at jseguin@edc-see.ca.

include aviation, telecommunications, industrial equipment, construction and professional services. South Africa also serves as a sophisticated and modern gateway to a number of neighbouring states.

Facilitating Afri-Can transactions

The privatization of African state enterprises has been followed by the development of both equity and capital markets in many African countries, helping to facilitate the assessment of potential African transactions. Eighteen stock exchanges operate in Africa, including the world-ranked Johannesburg Stock Exchange. The 17 other exchanges posted an aggregate 160 per cent increase in capitalization in the last five years and increased their listings from 220 to 420 stocks. Local capital markets are also developing fast.

Private sector structured financing has taken root in African projects, allowing EDC's project financing expertise to be used to Canadian advantage. Examples include the Azito power project in Ivory Coast; the Mozal aluminum smelter in Mozambique (EDC is considering indirect support), and the Sidi Kir power plant in Egypt (EDC is participating in financing). EDC's standing as a leader in the structured finance field, and its ability to apply both project financing and political risk insurance of equity and loans, will allow it to provide substantial assistance to Canadian exporters and investors capitalizing on this trend.

Canadian companies have found lines of credit in Africa to be useful for quick credit decisions in supporting small- and medium-sized loans. EDC currently has eight lines of credit established with banks and governments in African countries such as South Africa, Tunisia, Algeria and Egypt, with several others now under negotiation. Lines of credit are certainly not EDC's only financing support mechanism in Africa. EDC has used an array of financing and insurance products in Africa and is reacting to the need for innovative new structures for this changing market. EDC also has close working relationships with a number of other banking and financial institutions in Africa, each with distinctive market and product niches. One such partner is the Standard Bank of South Africa Limited. A Memorandum of Understanding was signed in November 1999 which will enable both organizations to work together in support of Canadian exports to African markets by jointly assessing the most appropriate financing services for Canadian-African transactions.

A number of African countries such as South Africa, Egypt, Mauritius, Tunisia and Morocco are rated by internationally reputable credit rating agencies for international long-term sovereign debt. Of note is that there has been a growth in domestic private sector ratings, particularly in the banking sector in South Africa and Egypt. This growth helps diminish the perception that only governments are good credits in Africa – witness the 239 commercially syndicated transactions from 1995 to 1998 in sub-Saharan Africa alone, worth over US$24 billion.

Assessing the risks

Doing business in Africa is certainly not risk-free. However, EDC is able to support projects and transactions in African markets by assessing the fundamentals on a transaction-by-transaction basis. Projects with solid fundamentals can be supported in virtually any market. EDC is particularly prepared to consider additional business in Egypt, Tunisia, Morocco, Algeria, Ghana, Kenya, Uganda, Mauritius, Namibia, Botswana, South Africa, and most recently Libya; also, with the private sector in the Senegal, Mali and Cameroon markets.

Specifically, EDC takes the following risk mitigating factors into consideration when assessing transactions in Africa:

- presence of offshore escrow accounts for debt service payments;
- borrowers have U.S. dollars or other hard currency earnings;
- borrowers are willing to accept shorter terms;
- a top investment grade bank or corporation is involved;
- participants have a high-quality credit rating and/or credit-worthy risk-sharing partners;
- participants or sponsors are listed on a stock exchange; and
- key participants have a solid international reputation in their industry.

Building relationships

In Africa, business is most often based on long-term relationships. Indeed, it is these long-term relationships that enable both commercial success and risk mitigation. In Africa, as in other developing markets, EDC employs a relationship-building approach. Through relationships, EDC develops long-term contacts, and an understanding of business considerations and the structures and cultures of African private and public sector institutions. EDC dedicates African Regional Managers to maintain and enhance relationships and to share this market and transactional intelligence as it relates to specific deals.

African Regional Managers have also targeted key borrowers and buyers in various African markets for business development. The goal here is to optimize Canadian supply potential through a heightened awareness of EDC's support capabilities.

EDC is dedicated to supporting Canadian companies pursuing business in Africa and other developing markets through astute risk management, timely market intelligence, and innovative solutions. EDC is embracing this challenge to find innovative financial-service solutions for Afri-Can opportunities.

For further information on Africa, contact the following EDC Regional Managers: Tim Askew, Southern and Eastern Africa, taskew@edc-see.ca; Johane Séguin, Central and Western Africa, jseguin@edc-see.ca; or Ihab Tadros, Middle East and North Africa, itadros@edc-see.ca.

Need more information?

Consider attending Africa Direct and the Conférence de Montréal. Africa Direct will take place in Ottawa, Toronto, Calgary and Montreal from May 4-14, and is aimed at deepening Canadian understanding of African policies (for more information contact Deborah Turnbull at (905) 568-8300 ext. 290). Also, this year's Conférence de Montréal takes place May 14-18, and focuses on Africa (www.conferencedemontreal.com).

Addition **Deletion** **I.D. #**__________________ *(as it appears in upper left corner of your mailing label)*

Name Title

Company Name Telephone

Address *(please include full address)*

Change **From:** **To:**

Name Title

Company Name Telephone

Address *(please include full address)*

Name Title

Company Name Telephone

Address *(please include full address)*

Help us better understand your needs.

Language preference

- English
- French

You are... (choose one)

- E1 currently exporting
- E2 not exporting
- E3 considering exporting

Export volume (choose one)

- V1 Less than $1 million
- V2 $1 million to $5 million
- V3 More than $5 million
- V4 Not applicable

I would like an EDC account manager to contact me.

MAIL POSTE

Canada Post Corporation
Société canadienne des postes

Postage Paid
if mailed in Canada
Business Reply

Port payé
si posté au Canada
Réponse d'affaires

0184194799 01

0184194799-K1A1K3-BR01

EXPORT WISE
EXPORT DEVELOPMENT CORPORATION
151 O'CONNOR ST
OTTAWA ON K1A 1K3

AFRICA ON THE ROAD TO PROSPERITY

→A stabilized macroeconomic situation, reasonable growth, and bright prospects for trade liberalization should help pave the way. **by Claudia Verno**

THERE IS NO SUCH THING AS a typical African economy. While African countries do share many similarities, each nation has its own particular investment environment and must be considered individually. Despite a recent overall improvement in macroeconomic indicators, Africa is still characterized by uneven development and fortune. Some countries have performed relatively well, while others are still suffering the fallout of war and social unrest, or simply experiencing economic difficulties. Gross Domestic Product (GDP) growth for Africa is expected to be around 5 per cent in 2000, with significant differences among the sub-regions.

Three important trade deals occurred in 1999, a step forward for "the African Renaissance." The first, a treaty signed by Kenya, Tanzania and Uganda (80 million people as a group), outlines the negotiating terms for a customs union to be established within four years. Eventually, this union will lead to a common market and currency styled after the European Union (EU). The second treaty, a union of eight members of Union Économique et Monétaire Ouest Africaine (UEMOA), comprising 70 million people, will also have the creation of a common market as its ultimate goal. The third deal consists of a free-trade agreement between the EU and South Africa, which will generate US$20 billion and add 1 per cent to the GDP of the African nation.

Movements in commodity prices have affected the continent asymmetrically. The upturn of oil prices since the first quarter of 1999 has helped strengthen the external accounts, fiscal positions and short-term growth prospects of oil producing countries, while the persisting decline of other primary commodities has hampered many sub-Saharan economies.

Notwithstanding tight monetary policy in the Franc de la Communauté Financière Africaine (FCFA) zone and South Africa, inflation gained momentum, reaching 12.6 per cent in 1999, mostly because of currency devaluations in Nigeria and several other Southern African Development Community (SADC) countries. However, inflation is forecast to decline in the coming years, thanks to tight monetary policies, an upswing of oil prices and improving current accounts.

Being tied to the French Franc, the FCFA zone effectively joined Euroland on January 1, 1999. However, the expected rise of the Euro, combined with significant inflation and productivity gaps between Africa and Europe, make this parity unsustainable. A devaluation may be required to restore the zone's competitiveness and improve its current account. Fortunately, the Euro was weak in the first half of 1999, which resulted in a de facto 5 per cent depreciation of the FCFA.

Africa's current account deficit is expected to steadily contract over the next few years. This strengthening of the continent's external position is attributed to increases in oil receipts, non-oil exports and total transfers. Reductions in debt servicing will also improve the balance of payments situation. The International Monetary Fund (IMF) and the World Bank have started to implement different programs aimed at reducing Third World debt. So far, 31 of the 40 countries that will benefit from these measures are African.

Potential opportunities

Total imports will continue to rise, driven by robust demand in South Africa, Nigeria and Egypt for a range of goods and services, including machinery, industrial equipment, manufactured goods, fertilizers and chemicals. Total exports will also rise, thanks in part to improved oil prices, but also to sales of liquefied natural gas and revenue from cocoa, palm oil and other cash crops. Overall, the trade deficit is expected to slowly decrease.

The overall economic outlook for the continent is improving. A stabilized macroeconomic situation, reasonable growth and bright prospects for trade liberalization suggest that Africa, despite current underdevelopment, has a foothold on the long road to prosperity.

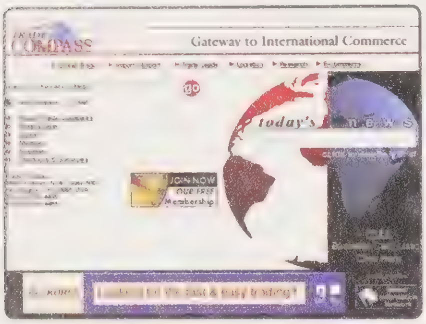
Claudia Verno is an Economist on EDC's Country Assessment Team. She can be reached at cverno@edc-see.ca.

INTER.NET.WORKING

→Inter.net.working is a regular column devoted to Web sites of interest to exporters and investors. **by Jean-Marc La Flamme**

If you type in "trade" on the search line of any popular Internet search engine (eg. Altavista, Yahoo), be prepared to search the proverbial haystack – through thousands of links – for that one relevant needle of information. Below, is a time-saving alternative: visit one or more of the sites we've outlined, to gain access to an extensive range of trade information.

www.tradecompass.com



One of the largest global trade sites on the Internet, TradeCompass provides easy-to-use, up-to-date global trade information, resources and business tools to companies interested in trade, importing, exporting, sales, marketing, logistics, research, and e-business.

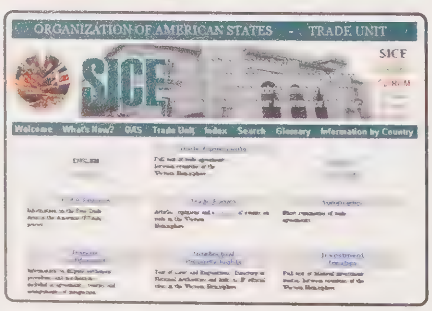
www.wtca.org

The World Trade Centers Association (WTCA) encompasses over 300 World Trade Centers located in more than 100 countries. Its Web site, WTCA On-Line, draws on trade leads and other vital information provided by its WTC membership to offer a one-stop trade information hub for posting and reviewing trade opportunities, accessing valuable databases and communicating with business prospects.

centretrade.com

Geared toward improving, facilitating and expanding international trade, the Centre for International Trade (CIT) encompasses 3,500 members worldwide, including embassies, government agencies, trade associations, businesses, and individuals. The CIT Web site helps users with many aspects of international trade, recommends trade-related resources, and provides information on a broad range of trade-related topics.

sice.oas.org



The Foreign Trade Information System is the information technology arm of the Trade Unit within the Organization of American States (OAS). It is widely known by the acronym SICE, which stands for its French name, *Système d'information sur le commerce extérieur* (as well as for the Spanish and Portugese translations). SICE provides comprehensive information and documentation on trade in the Western Hemisphere, and is a central source for many public documents that are otherwise difficult to locate or obtain. The Web site is published in the four official languages of the OAS (English, Spanish, Portuguese and French).

www.wto.org

The official source for global trade information, the World Trade Organization (WTO) is the only international organization dealing with the global rules of trade between nations. Published in English, French and Spanish, the site contains general information about the WTO, resource information, plus trade information on topics such as goods, services, intellectual property, environment, development, trade policy reviews, dispute settlement, government procurement, and research and analysis.

Jean-Marc La Flamme is EDC's in-house Internet specialist, responsible for EDC's Web site (www.edc.ca). He can be reached at jmlaflamme@edc-see.ca.

LINES OF CREDIT

EDC offers many forms of export financing to facilitate the purchase of Canadian goods and services by buyers in export markets.

These facilities fall into two broad categories: supplier credit financing and buyer credit financing.

One example of supplier credit financing is a note purchase agreement. Under such an agreement, EDC purchases from an exporter a series of promissory notes issued by a foreign buyer to the exporter upon the sale of goods or services.

Buyer credit financing includes direct loans and lines of credit. Direct loans are a financing arrangement between EDC and a buyer, or a borrower on behalf of a buyer, for a predetermined transaction. Loans usually involve large transactions with long repayment terms.

Lines of credit are a streamlined form of financing in which EDC lends money to a foreign bank, institution or buyer, which then onlends the necessary funds to foreign buyers of Canadian goods and services. Interest rates, repayment terms and other details are prearranged between EDC and the foreign borrower, which speeds up turnaround time. Transactions supported under lines of credit are usually valued at between US$50,000 and US$5 million. EDC currently has 53 lines of credit, providing one form of access to export financing for buyers in some 27 countries.

Listed below are the details and contacts for the lines of credit which exporters have found most useful.

It is important to note that:

→ **EDC's financing and insurance services extend beyond countries in which EDC has established lines of credit.**

→ **These lines of credit are one of several ways in which EDC will do business in these markets.**

→ **If you are thinking about exporting but have never used one of EDC's lines of credit, it is wise to contact EDC as early as possible.**

For more information on how EDC export financing can help you close a deal abroad, contact the regional office nearest you by calling 1-888-332-3777.

Categories: Overseas Area Code = 011 / 1 - Borrower / 2 - Signing amount / 3 - Repayment terms / 4 - Buyers' contact with borrower / 5 - Borrowers' contact in North America

Lines of Credit

Mexico, Central & South America

Andean Pact – Bolivia, Colombia, Ecuador, Peru and Venezuela

1) **Corporación Andina de Fomento (CAF)**
2) US$70 million
3) 10 years
4) Mr. Fernando Infante
Vice-President of Finance
Tel.: 582-209-2283
Fax: 582-209-2329
finfante@caf.com

Mr. José Vicente Maldonado (Bolivia)
Tel.: 591-243-1333
Fax: 591-243-2049
jvicente@caf.com

Ms. Liliana Canale (Colombia)
Tel.: 571-313-2311/2549
Fax: 571-313-2787
lcanale@caf.com

Mr. Alfredo Solarte (Ecuador)
Tel.: 593-222-4080
Fax: 593-222-2107
asolarte@caf.com

Mr. Gustavo Fernández (Peru)
Tel.: 511-221-3566
Fax: 511-221-0968
gfernandez@caf.com

Mr. Carlos Romero (Venezuela)
Public Sector
Tel.: 582-209-2183
Fax: 582-209-2463
cromero@caf.com

Ms. Blanca Alarcón, Private Sector
Tel.: 582-209-2379
Fax: 582-209-2433
balarcon@caf.com

Argentina

1) **Banco Francés**
2) US$10 million
3) 2, 3, 5 or 7 years
4) Mr. Fernando Sola, Regional Manager
North America and Asia Pacific
Tel.: 5411-4346-4326/4000 (ext. 1843)
Fax: 5411-4346-4337

1) **Industrias Metalúrgicas Pescarmona S.A.I.C. y F. (IMPSA)**
2) US$15 million
3) 3 semi-annual installments
4/5) Mr. Miguel Valentini
Director of Purchasing (Pittsburgh)
Tel.: 412-344-7003 (ext. 21)
Fax: 412-344-7009
valentini@impsa.com

1) **Pan American Energy (Argentina Branch)**
2) US$50 million
3) 3 to 8.5 years
4) Mr. Pablo M. Ferrari, Financing Department
Tel.: 5411-4310-4332
Fax: 5411-4310-4367
pferrari@pan-energy.com

1) **Telecom Argentina STET-France Telecom S.A.**
2) US$77.7 million
3) 3 to 8.5 years
4) Mr. Tomás Silveyra, Manager
Financial Operations
tsilveyr@ta.telecom.com.ar
Ms. Carolina Campos, Financial Operations
Tel.: 5411-4968-3500/3532
Fax: 5411-4312-9472
ccampo1@ta.telecom.com.ca

1) **Telefónica de Argentina S.A.**
2) US$52.5 million
3) 3 to 8.5 years
4) Mr. Juán López Basilvaso
Director of Finance
Ms. Antonieta Martino/
Mr. Raul H. Rolandi, Finance
Tel.: 5411-4325-0190
Fax: 5411-4325-1920
rolandir@telefonica.com.ar

1) **Total Austral S.A.**
2) US$50 million
3) 2 to 8.5 years
4) Mr. Alain Petitjean, Financial Controller
Tel.: 5411-4346-6621
Fax: 5411-4346-6697
alain.petitjean@total.com
5) Mr. Carlos A. Coccioli, Treasurer
Tel.: 5411-4346-6623
Fax: 5411-4346-6697
carlos.coccioli@total.com

1) **Transportadora de Gas del Norte S.A.**
2) US$5 million
3) 2 to 5 years
4) Mr. Orlando Paolini
Tel.: 5411-4959-2167
Ms. Dora Zapolski
Tel.: 5411-4959-2002
Fax: 5411-4959-2110

1) **YPF, S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Enrique Waterhouse/
Ms. Dora E. Acosta Vásquez
Tel.: 5411-4329-5685
Fax: 5411-4329-5838
ewaterho@email.ypf.com.ar

Argentina, Brazil, Colombia and Uruguay

1) **BankBoston**
2) US$25 million
3) 2 to 8 years
4) Mr. Julio Laffaye, Trade Finance Manager
International Services (Argentina)
Tel.: 5411-4346-2112
Fax: 5411-4346-3209/343-7303

Mr. Sergio Schirato (São Paulo)
Tel.: 5-511-3881-6415
Fax: 5-511-3881-6430

Mr. Miguel de Pombo (Bogotá)
Tel.: 571-313-2255/3455
Fax: 571-313-3536

Mr. José Baniela (Montevideo)
Tel.: 598-296-0127
Fax: 598-296-2209

5) Mr. David Ames, Assistant Vice-President
International Corporate Finance
Tel.: 617-434-5178
Fax: 617-434-1188

Categories: Overseas Area Code = 011 / 1 - Borrower / 2 - Signing amount / 3 - Repayment terms / 4 - Buyers' contact with borrower / 5 - Borrowers' contact in North America

Brazil

1) **Banco do Brasil**
2) US$25 million
3) up to 5 years
4) Mrs. Rosana Porto Feirosa
Tel.: 55-11-3066-9021
Fax: 55-11-3066-9029

1) **Petrobrás**
2) US$15 million
3) up to 5 years
4) Mr. Hernani Fortuna
Head, Investment Finance
Tel.: 5-521-534-1450
Fax: 5-521-534-4278

1) **Unibanco – União de Bancos Brasileiros**
2) US$15 million
3) 2, 3, 4 or 5 years
4) Ms. Silvia Nucci
Manager International Relations/
Ms. Patricia Urbano
Manager, Corresponding Banking
Tel.: 5-511-867-1684/4321/1900
Fax: 5-511-815-4484/814-0528/
867-1689
5) Mr. Durval Araujo (New York)
Tel.: 212-207-9426
Fax: 212-754-4872
Mr. Marcos Pereira (Miami)
Tel.: 305-372-0100
Fax: 305-350-5622

Colombia

1) **Banco Cafetero**
2) US$10 million
3) up to 8.5 years
4) Mr. Luis Hernando Manrique
Head Special Lines Department
Tel.: 571-341-1511 (ext. 3700)
Fax: 571-284-2097/286-8893

1) **Cementos del Caribe**
2) US$5 million
3) up to 5 years
4) Mr. Ernesto Ritzel, Treasurer
Tel.: 575-355-6069
Fax: 575-355-9829
eritzel@caribe.com.co

Chile

1) **Codelco**
2) US$70 million
3) 5 years
4) Mr. José Antonio Alvarez
Vice President Finance
Tel.: 562-690-3648
Fax: 562-690-3669

Honduras, Costa Rica, El Salvador, Guatemala and Nicaragua

1) **Central American Bank for Economic Integration (CABEI)***
2) US$20 million
3) 5 years
4) Mr. Jorge Kawas (jkawas@bcie.hn)
Mr. Eduardo Membreño
(Tegucigalpa, Honduras, Headquarters)
Tel.: 504-228-2208/2209
Fax: 504-228-2135
emembren@bcie.hn

Lic. Ronald Martínez Saborío
Mr. Dennis Sánchez Acuña (Costa Rica)
Tel.: 506-253-9394
Fax: 506-253-2161
dsanchez@bcie.org

Ing. Francisco José Ramírez Cuadra
(El Salvador)
Tel.: 503-260-2244/2245
Fax: 503-260-3276
framirez@bciesv.bcie.hn

Lic. Jorge Mario Diaz Rosal (Guatemala)
Tel.: 502-334-1744/332-2722
Fax: 502-331-1457
jmdiaz@bciegt.bcie.hn

Ing. Roger Arteaga Cano (Nicaragua)
Tel.: 505-266-4120 to 4123
Fax: 505-266-4143/4125
mbuitrag@bcie.org

* CABEI is closed to new projects in the public sector/Government of Nicaragua.

Mexico

1) **Banca Serfin, S.A.**
2) US$20 million
3) 5 years
4) Mr. José Carrassó Arnaiz
Vice-President, International Division
Tel.: 525-512-1009
Fax: 525-625-5613
5) Mrs. Paloma Healey
Tel.: 416-360-8900
Fax: 416-360-1760

1) **Bancomer, S.A.**
2) US$75 million
3) 5 to 8 years
4) Ms. Cecilia Sáenz y Sáenz
Vice-President, Import Financing
Tel.: 525-621-3861/3491
Fax: 525-621-4758

1) **Banco Nacional de Comercio Exterior, S.N.C. (Bancomext)**
2) US$125 million
3) 5 to 8 years
4) Ms. Rosa María Solís, Vice-President
International Banking, North America
Tel.: 525-481-6051
Fax: 525-481-6076/6077
5) Mr. Marco Espinosa
Trade Commissioner of Mexico (Toronto)
Tel.: 416-867-9292
Fax: 416-867-1847

1) **Banco Nacional de México, S.A. (Banamex)**
2) US$125 million
3) 5 to 10 years
4) Ms. Mariana Lerdo de Tejeda Sánchez
Comercio Exterior
Tel.: 525-720-7077
Fax: 525-720-7315
5) Mr. Joseph Clarke (New York Office)
Tel.: 212-303-1431
Fax: 212-303-1470
jclarke@banamex.com

1) **Banco Nacional de Obras y Servicios Públicos, S.N.C. (Banobras)**
2) US$20 million
3) 5 to 8 years
4) Lic. Abelardo Bravo Herrera, Gerente
Operaciones Bancarias Internacionales
Tel.: 525-723-6000
Fax: 525-723-6235

1) **Comisión Federal de Electricidad (CFE)**
2) US$50 million
3) 5 to 8 years
4) Mr. Ramón Benitez Galarza
Head, Credit Operations Department
Tel.: 525-705-0571/229-4502
Fax: 525-229-4703
rbg84069@cfe.gob.mx

1) **Grupo Minero México, S.A. de C.V.**
2) US$75 million
3) 5 years
4) Ing. Genaro Guerrero Díaz
Tel.: 525-564-7066
Fax: 525-574-8056

1) **Hylsa, S.A. de C.V.**
2) US$20 million
3) 5 years
4) Mr. Manuel Moguel, Treasury
Tel.: 528-328-1220
Fax: 528-328-1885
mmoguel@hylsamex.com.mx

1) **Nacional Financiera, S.N.C. (Nafin)**
2) US$28 million
3) 5 to 8 years
4) Mr. Jorge Muñoz Cuevas
Manager Bilateral Financing
Tel.: 525-325-7022/7023
Fax: 525-325-6496

1) **Petroleos Mexicanos (Pemex)**
2) US$50 million
3) 3 to 10 years
4) Ing. Eduardo Ito
Deputy Manager, Trade Finance
Tel.: 525-250-6478
Fax: 525-254-1896
jenito@dcf.pemex.com
5) Mr. Alberto Hinojos, Vice President
Finance and Administration
Tel.: 713-430-3110
Fax: 713-430-3312
ahinojos@itsinc.com

1) **Teléfonos de México, S.A. de C.V. (Telmex)**
2) US$100 million
3) 3 to 7 years
4) Mr. Gustavo León Méndez, Treasury
Tel.: 525-222-1153/1154
Fax: 525-203-5972
glmendez@telmex.net

Peru

1) **Banco Wiese Ltdo.**
2) US$15 million
3) 2 to 5 years
4) Mr. Eduardo Lizarzaburu Cuba
Financing Intermediation Division
Tel.: 511-428-6000
Fax: 511-426-9414
elizarzaburu@wiese.com.pa
Mr. Javier Román
Tel.: 511-426-6231
Fax: 511-428-3163
jroman@wiese.com.pa

Trinidad & Tobago

1) **Central Bank of Trinidad & Tobago**
2) US$15 million
3) up to 8.5 years
4) Ms. Cara Mae Farmer
Manager, Banking Operations
Tel.: 868-625-4835/623-4715
Fax: 868-625-2468
cfarmer@central_bank.org.tt

Venezuela

1) **BARIVEN, S.A./Petróleos de Venezuela, S.A. (PDVSA)**
2) US$50 million
3) 2 to 8.5 years
4) Jesús Bello, Finance
Tel.: 582-201-4761
Fax: 582-201-4605
5) Mr. Philip Limon, Trade Financial Analyst
PDVSA Services, Inc. (Houston, Texas)
Tel.: 281-588-6406
Fax: 281-588-6287
lemonp@pdvsa.com
fnt1h@psi.pdv.com

Africa & Middle East

Algeria

1) **Banque Algérienne de Développement (BAD)**
2) US$100 million
3) 3 or 5 years
4) Mr. Saddek Alilat, Director
Tel.: 213-2-677-583/4/5
Fax: 213-2-674-241

1) **Sonatrach**
2) US$70 million
3) 3 or 5 years
4) Mr. K. Benaoude
Tel.: 213-2-69-3308
Fax: 213-2-60-5322

Egypt

1) **United Bank of Egypt**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Atef Eldib, Executive Manager
Credit and Marketing Department
Tel.: 011-202-594-0146
Fax: 011-202-594-0153

Israel

1) **Bank Hapoalim B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Yona Rosenberg
Foreign Trade Department
Tel.: 972-3-567-3424
Fax: 972-3-567-4548

1) **Bank Leumi Le-Israel B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Liorah Tidhar, First Vice-President
Trade & Project Finance
Tel.: 972-3-514-7373
Fax: 972-3-514-7865

1) **United Mizrahi Bank Limited**
2) US$10 million
3) 3, 5 or 7 years
4) Mr. Chana Chefer, Foreign Trade Department
Tel.: 972-3-567-9011
Fax: 972-3-567-9028

Lebanon

1) **Credit Libanais SAL**
2) US$10 million
3) 3 to 8.5 years
4) Mr. George Khouri
Tel.: 961-158-2390
Fax: 961-160-2615

South Africa

1) **First National Bank of Southern Africa Limited/Rand Merchant Bank**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Willie Coetzee
International Project Finance
Tel.: 2711-282-8369
Fax: 2711-282-8318
willie-coetzee@rmb.co.za

1) **Industrial Development Corporation of South Africa/Impofin (Pty) Limited**
2) US$15 million
3) 3 to 8.5 years
4) Mr. Leon Potgieter, Deputy General Manager, Industrial Development Corporation of South Africa Ltd.
Tel.: 2711-269-3266
Fax: 2711-269-3121
leonp@idc.co.za

1) **Nedcor Bank Ltd.**
2) US$10 million
3) 3 to 8.5 years
4) Mr. David N. Fienberg, Head
International Finance Unit
Tel.: 2711-630-7444
Fax: 2711-630-7146

1) **The Standard Bank of South Africa Limited**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Gerald Nolan
Senior Manager, International Finance
Tel.: 2711-636-5062
Fax: 2711-636-3181
nolang@scmb.za

Tunisia

1) **Ministry of International Cooperation and Foreign Investment**
2) US equivalent of Cdn$100 million
3) up to 10 years
4) Mr. Abdelhamid Bouhawala
Tel.: 216-1-798-522
Fax: 216-1-799-069
bo@mci.gov.tn

Europe

Estonia

1) **Hansa Leasing**
2) US$4 million
3) 5 years
4) Mr. Raul Rukis, Manager, Funding and Foreign Relations Department
Tel.: 372-6-131-805
Fax: 372-6-131-379
raul.rukis@hansa.ee

Turkey

1) **Turk Exim Bank**
2) US$50 million
3) 3 to 7 years
4) Mr. Ertan Tanriyakul
Assistant General Manager
Tel.: 90-312-425-6504
Fax: 90-312-425-2947
ogunduz@eximbank.gov.tr

Ukraine

1) **State Export Import Bank of Ukraine**
2) Cdn$20 million
3) 3 to 10 years
4) Ms. Tetyana M. Kutuzova
Head of Department
Tel.: 380-44-247-8925/26
Fax: 380-44-247-8928/8082
Telex: 131258 RICA

Asia & Pacific

China, People's Republic of

1) **Bank of China**
2) US$200 million or its equivalent in Cdn. or other acceptable foreign currencies
3) up to 10 years
4) Ms. Liu Huijun, Treasury Department
Tel.: 86-10-6601-6688 ext. 4104
Fax: 86-10-6601-4037

1) **Bank of Communications**
2) US$25 million
3) up to 10 years
4) Ms. Liu Ganghua, Credit Department
Tel.: 86-21-6275-1234 ext. 2343
Fax: 86-21-6275-1363

1) **China Construction Bank**
(previously People's Construction Bank of China)
2) US$100 million
3) up to 10 years
4) Mr. Yu Hui, Project Manager
Project Finance Division
Tel.: 86-10-6759-8555
Fax: 86-10-6759-8549

1) **Industrial and Commercial**
Bank of China
2) US$25 million
3) up to 10 years
4) Ms. Qin Lei, International Finance Division, International Department
Tel.: 86-10-6610-6022
Fax: 86-10-6610-6038

Indonesia

1) **P.T. Indah Kiat Pulp & Paper Corp.**
2) US$25 million
3) 3 to 10 years
4) Mr. Paulus Lucas, Assistant Manager, Finance
Tel.: 62-21-392-9266
Fax: 62-21-392-6179
paulus_lg@app.co.id

1) **P.T. Pabrik Kertas Tjiwi Kimia**
2) US$10 million
3) 3 to 10 years
4) Mr. Paulus Lucas, Assistant Manager, Finance
Tel.: 62-21-392-9266
Fax: 62-21-392-6179
paulus_lg@app.co.id

1) **P.T. Lontar Papyrus Pulp & Paper Industry**
2) US$20 million
3) 3 to 10 years
4) Mr. Paulus Lucas, Assistant Manager, Finance
Tel.: 62-21-392-9266
Fax: 62-21-392-6179
paulus_lg@app.co.id

IS THIS REALLY A "NEW TECHNOLOGY ERA"?

→Sky-rocketing new technology stocks have overshadowed those of traditional companies, but the phenomenon may not last.

by Stephen S. Poloz

HAVE THE LAWS OF SUPPLY and demand been repealed? Is value stock investing passé? Or is the so-called "new technology era" mostly hype?

The facts are plain. The U.S. economy has grown more quickly, unemployment has fallen further and inflation has drifted lower in a combination previously thought impossible. Canada's participation in this heady party was delayed by the effects of the Asian crisis of 1997-98, but now we can see the same Goldilocks phenomenon beginning to emerge here. Meanwhile, there has been an enormous divergence in stock market prices. Traditional, solid, profitable companies see their stock prices wallow, while technology companies – some of which have yet to turn a profit – are valued in the billions.

New technology – faster computers, robotics, the Internet, e-business, and so on is the common denominator. New technology makes workers more productive and leads to higher wages, which, when spent, generates more jobs elsewhere in the economy. Unemployment falls, but inflation remains benign because companies can actually cut prices due to improved efficiency and falling costs. In fact, heightened competition forces them to make those cuts. The result is that the usual link between lower unemployment and higher inflation is broken. Moreover, technology companies attract investment funds, driving their stock prices into the stratosphere, while traditional companies, under constant pressure to cut costs in order to compete, are shunned.

Calling this a technology-led economic upturn is one thing, but calling it a "new technology era" is to suggest that it can go on forever. Usually, the transition from one level of technology to another breaks the old macroeconomic linkages only temporarily. Once the new technology has been widely deployed, those linkages will re-emerge. This was true in the 1920s, and it is probably true now. Indeed, what we are facing now is precisely the reverse of what occurred in the mid-1970s. At that time, massive rises in energy prices rendered existing technology inefficient, and productivity collapsed. Economic growth sagged, unemployment rose and inflation skyrocketed, again in a combination previously thought impossible. No one called it a "new era" then, but it still meant a temporary break in the historical link between unemployment and inflation.

Stock markets certainly think this is a new era, as they are priced for perfection. Are they wrong?

Stock markets certainly think this is a new era, as they are priced for perfection. Are they wrong? Perhaps, but there might still be a rational explanation. Investors are no doubt mindful that, out of the numerous non-profit technology companies listed on stock markets today, one or two Microsofts are bound to emerge. Many other such companies will disappear, along with investors' money, but the gains from owning the next Microsoft might easily offset those losses. This makes the technology sector of the global stock market a bit like a lottery – some big money will be made eventually, but to be in a position to win anything, investors feel compelled to participate, despite ridiculously high prices. In contrast, the more traditional sectors of the stock market are behaving fairly normally, but at depressed values. When the technological adjustment has run its course, there will be a reconvergence of stock valuations between the traditional and the new, and patient investors who own shares in under-rated traditional companies will get their reward.

The bottom line? Although there are some symptoms of a new era, the old rules are probably still at work in the background. Ignore them at your peril.

Stephen Poloz is EDC's Chief Economist. He can be reached at spoloz@edc-see.ca.

CONTACTS

EDC
SEE

Head Office
151 O'Connor
Ottawa, Canada
K1A 1K3

Tel.: (613) 598-2500
Fax: (613) 237-2690

www.edc.ca

Smaller exporters — companies with annual export sales of up to $1 million — can contact our team of specialists at **1-800-850-9626**

If your export sales exceed $1 million annually, call any one of EDC's regional offices at **1-888-332-3777**

Western Canada

Jim Christie
Regional Vice-President
jchristie@edc-see.ca

Vancouver Office
Suite 1030
505 Burrard Street
Vancouver, British Columbia
V7X 1M5
Tel.: (604) 666-6234
Fax: (604) 666-7550
Blair Wilson
Business Development Manager
bwilson@edc-see.ca

Winnipeg Office
Commodity Exchange Tower
Suite 2075
360 Main Street
Winnipeg, Manitoba
R3C 3Z3
Tel.: (204) 983-5114
Fax: (204) 984-0163
Lewis Megaw
Business Development Manager
lmegaw@edc-see.ca

Calgary Office
Home Oil Tower
Suite 606
324-8th Avenue S.W.
Calgary, Alberta
T2P 2Z2
Tel.: (403) 292-6898
Fax: (403) 292-6902
Bruce Stanton
Business Development Manager
bstanton@edc-see.ca

Edmonton Office
Suite 905
10010-106th Street
Edmonton, Alberta
T5J 3L8
Tel.: (780) 495-2286
Fax: (780) 495-2346
Karen Goss
Business Development Manager
kgoss@edc-see.ca

Ontario

Ruth Fothergill
Regional Vice-President
rfothergill@edc-see.ca

Toronto Office
Suite 810
150 York Street
P.O. Box 810
Toronto, Ontario
M5H 3S5
Tel.: (416) 973-6211
Fax: (416) 862-1267
Laura Gainer
Business Development Manager
lgainer@edc-see.ca
David Little
Business Development Manager
dlittle@edc-see.ca

Ottawa Office
151 O'Connor Street
Ottawa, Ontario
K1A 1K3
Tel.: (613) 598-3152
Fax: (613) 598-6858
Hal Miller
Business Development Manager
hmiller@edc-see.ca

London Office
Suite 1512
148 Fullarton Street
London, Ontario
N6A 5P3
Tel.: (519) 645-5828
Fax: (519) 645-5580
Lillian Gagnon
Business Development Manager
lgagnon@edc-see.ca

Quebec & Atlantic Canada

Henri Souquières
Regional Vice-President
hsouquieres@edc-see.ca

Montreal Office
Suite 4520
800 Victoria Square
P.O. Box 124
Tour de la Bourse
Montreal, Quebec
H4Z 1C3
Tel.: (514) 283-3013
Fax: (514) 878-9891
Harold Riley
Business Development Manager
hriley@edc-see.ca

Halifax Office
Purdy's Wharf Tower II
Suite 1410
1969 Upper Water Street
Halifax, Nova Scotia
B3J 3R7
Tel.: (902) 429-0426
Fax: (902) 423-0881
David Surrette
Director of Business Development, Atlantic Canada
dsurrette@edc-see.ca

Moncton Office
International Trade Centre
1045 Main Street
4th Floor, Unit 103
Moncton, New Brunswick
E1C 1H1
Tel.: (506) 851-6066
Fax: (506) 851-6406
Charles Gaudet
Business Development Manager
cgaudet@edc-see.ca

Other organizations that help exporters

Alberta Opportunity Company
1-800-661-3811
www.aoc.gov.ab.ca

Alliance of Manufacturers and Exporters Canada
(613) 238-8888
(416) 798-8000
www.the-alliance.org

Atlantic Canada Opportunities Agency
1-800-561-7862
www.acoa.ca

BC Trade and Investment Office
Tel: (604)-844-1900
www.ei.gov.bc.ca

Business Development Bank of Canada
1-888-463-6232
www.bdc.ca

Canada-B.C. Business Service
1-800-667-2272
www.sb.gov.bc.ca

Canadian Commercial Corporation
1-800-748-8191
www.ccc.ca

Manitoba Trade & Investment Corp.
(204) 945-2466
www.gov.mb.ca

NorthStar Trade Finance
1-800-663-9288
www.northstar.ca

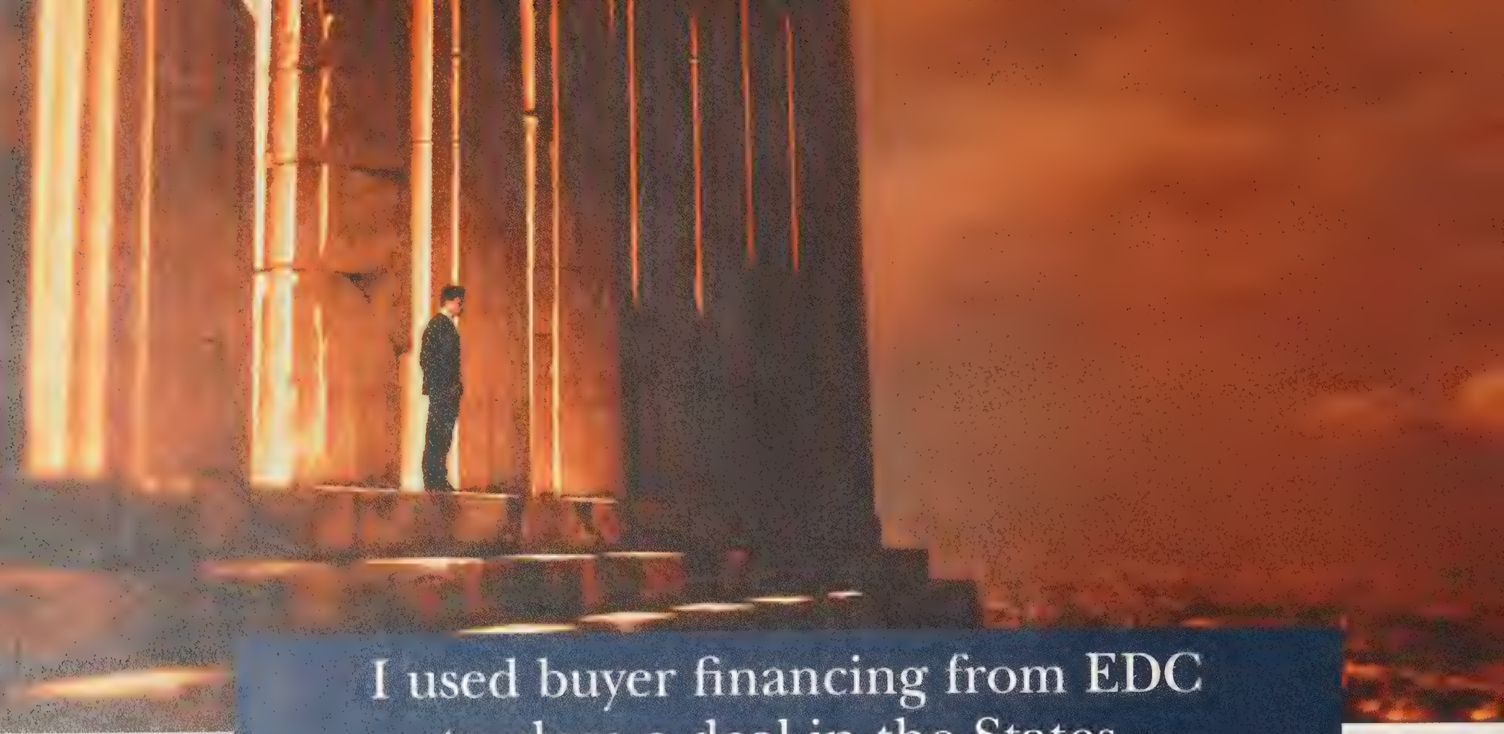
Ontario Exports Inc.
1-877-46TRADE (8-7233)
www.ontario-canada.com/export

Saskatchewan Trade & Export Partnership
(306) 787-9210
www.sasktrade.sk.ca

The Business Link
1-800-272-9675
www.cbsc.org/alberta

Trade Team Canada — Export Info
1-888-811-1119
www.exportsource.gc.ca

Western Economic Diversification
1-888-338-9378
www.wd.gc.ca



BRIDGING THE CULTURE GAP

EXPORTWISE

ner/July 2000

Published by Export Development Cor

wdock's Offshore Services
nager, **Phil Kinsella** (left) and
cutive Vice-President, **Dan Burry**

CANADA'S OIL & GAS INDUSTRY:

HIGH-TECH NNOVATIONS KEEP ANADA COMPETITIVE

Like many Canadian companies in the oil and gas sector, Newdock is capitalizing on technological advances to bring about new opportunities – both domestically and abroad

ALSO

→ **TURKEY RALLIES TO RENEWED POSITION OF STRENGTH**

As a crossroad for Europe, Asia and the Middle East, Turkey is uniquely positioned for trade

→ **ECONOMYWISE**

Why imports are important to Canada's economy

SBB towers above the competition

EHV plugs into global opportunities

CONTENTS

SUMMER/JULY 2000

INDUSTRY FEATURE

10 CANADA'S OIL & GAS INDUSTRY: HIGH-TECH INNOVATIONS KEEP CANADA COMPETITIVE

Canadian companies in the oil and gas sector are leveraging new technologies to realize business opportunities in domestic and international markets.

GEOGRAPHIC FEATURE

18 TURKEY RALLIES TO RENEWED POSITION OF STRENGTH

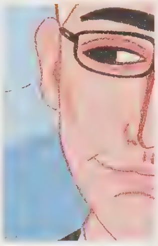
An important market itself, Turkey is also one of the major gateways into the emerging markets surrounding it.

20 Joining forces
21 Turkey sites help build Technomarine's business
22 Turkey at a glance
23 Turkey: Economic overview

1 FROM EDC'S PRESIDENT
World trade: from cure-all to scapegoat

2 GUEST COLUMN
Bridging the culture gap

3 INSIDE TRACK



3 EDC slashes start-up fee for insurance | **3** Upcoming seminars | **4** After GLOBE 2000: the greening goes on | **4** Canada's green expertise opens doors to "big-E" biz | **4** Canada hosts World Petroleum Congress | **5** EDC supports Dalhousie's Centre for International Business Studies | **5** EDC adopts new loans servicing system | **6** Bringing Canada to Mexico | **6** EDC's ad moves mountains | **6** Crown agency expands staff levels in Atlantic Canada | **7** Claims paid | **7** EDC appointments

8 CASE STUDIES
8 SBB towers above the competition
9 EHV plugs into global opportunities

24 E-COMMERCE
24 Inter.net.working
25 EDC's new Web site

26 LINES OF CREDIT

28 ECONOMYWISE
Exports and imports go hand-in-hand

29 EDC CONTACT LIST

WORLD TRADE: FROM CURE-ALL TO SCAPEGOAT

World trade – once the panacea of development – is too often castigated as a global villain. Witness the backlash against freer world trade at the World Trade Organization meeting in Seattle last December. Yet, at a recent United Nations Trade and Development Agency conference, developed and developing countries alike agreed that international trade plays a vital role in building a better and safer world for all trading partners. Why the discrepancy?

While there are many valid concerns about global environmental and social issues, blame should not be laid on trade itself. If the business community does not speak out loud and clear in favour of globalization, not only is the progress of trade at stake, but also the social, economic and environmental progress of the world.

Growing our economies

For starters, research by the Organization for Economic Cooperation and Development (OECD) shows that trade and foreign direct investment are major growth engines in both developed and developing countries. The volume of world trade in goods alone is 16 times greater today than it was 50 years ago – and that is 10 times more than the increase in the volume of world production during the same period.

Furthermore, over the last decade, countries that are open to freer trade have achieved double the annual average growth of other countries. Freer trade has released more than $200 billion a year from international spending on trade tariffs and duties. This money can be spent on health care, environmental protection and social services.

Social and environmental responsibility

Granted, we need to strike the right balance between trade economics and social and environmental responsibility. One way to aid progress is by encouraging Canadians to take on much-needed environmental projects abroad – such as upgrading sewage systems or reducing hazardous industrial emissions. Trade and investment in global infrastructure projects that incorporate environmental technologies are urgently needed in many countries.

Sharing our expertise

In many industrial sectors, Canada has highly innovative technologies and expertise to share with the world. Our skills and offerings long ago outstripped our population – gone are the days when companies, regardless of size, could afford to be content with domestic growth and success. World trade, in spite of some of the setbacks we are seeing today, marches on inexorably.

CANADIAN FIRMS HAVE GOOD REASON TO SPEAK OUT PASSIONATELY FOR THE BENEFITS OF WORLD TRADE.

For Canada, exports are forecast to grow at a healthy eight per cent or more in 2000, as the world economy continues to expand. Clearly, Canadian firms have good reason to speak out passionately for the benefits of world trade. Furthermore, Canadian firms of all types and sizes must seek opportunities to export and invest in the world… not just your goods and services, but also your ingenuity and values. Canadians have a great deal of tangible value to offer the world and many rewards to reap.

A. Ian Gillespie
President and Chief Executive Officer
EDC

BRIDGING THE CULTURE GAP

by Laraine Kaminsky

An American golf ball manufacturer launched its products in Japan packed in boxes of four, then had to change the package size. Why? In Japanese the word "four" sounds like the word for "death." Things don't sell well packed in four.

When conducting business internationally, you are faced with different sets of cultural rules. While cultural awareness is not always considered a key success factor when exporting, failure to recognize cultural differences could lead to serious misunderstandings, thus jeopardizing business relationships and possibly contracts.

Here are some tips to help bridge the culture gap:

Do your homework. Learn about the host country – its history, politics, people, and culture. Having this sort of background information will help you to adapt accordingly. Try to visit countries before you do business with them. The more exposure you have to their culture, the greater your understanding will be.

Set up for success. Exporters come across inpatriation, expatriation, and repatriation issues. Help employees and their families to ease the transition through the stages of culture shock by providing cultural adaptation training.

Check the calendar. Holidays and events can play havoc with business trips and deadlines. Whether it is Ramadan or the World Cup, you need to know when and why parts of the world are doing business – or not.

Learn the appropriate greetings. Different cultures meet and greet in various ways. From the one-handed handshake to the handshake with a hug, one, two, or three kisses on the cheek, or the rituals involved in bowing and exchanging business cards – use whichever is appropriate.

Suspend judgement. Perception does not always equal reality. An outsider's view of some cultural norms, such as the exchange of gifts, may be based on misconceptions or incorrect assumptions. Don't impose your values on another culture.

Acquire knowledge of the local language. Knowing the local language can avoid embarrassing situations. For example, the Chevrolet Nova car had trouble selling in Puerto Rico because it sounded like *no va*, meaning "it doesn't go."

Be aware of body language too. Gestures that are acceptable at home may be considered rude and inappropriate elsewhere. For example, in India do not cross your legs while seated; to point your foot at someone is offensive. In Brazil, the "okay" sign used by North Americans (thumb and index finger forming a circle and the other fingers raised) is considered vulgar.

If you take steps to familiarize yourself with the culture in your target markets, you will be better equipped to do business in those markets. Knowledge, understanding, a sense of humour, and appreciation of the differences among cultures can make bridging the gap much easier.

Laraine Kaminsky, President of MALKAM Consultants Ltd., provides customized training in the areas of cross-cultural communication, diversity, expatriation and language to Canadian and international firms. If you are interested in knowing more about MALKAM, please visit its Web site at www.malkam.com or e-mail malkam@malkam.com.

INSIDETRACK
EDC news and events

EDC slashes start-up fee for insurance ... *so why risk it?* *by Julie Harrison*

"**MARKET TESTS DONE** late last year suggested that our start-up fee was acting as a barrier to coverage for new exporters or companies with relatively modest export sales," says John Hutchison, EDC vice-president, Small Business Financial Services. And yet, EDC accounts receivable insurance is extremely valuable, especially for smaller companies, because it protects them against 90 per cent of losses if foreign buyers don't pay.

In response, EDC is cutting its insurance start-up fee from $500 to $250 for first-time and smaller Canadian exporters. "We believe a price break like this is just the incentive many companies need to start exporting," notes Hutchison, "and when we tested this theory during a trial period – 50 per cent more businesses took out insurance coverage."

The security provided by insurance can allow an exporter to take on more risk than they might normally be able to, opening up more possibilities for growth. Last year, for instance, more than 100 of EDC's emerging exporters reached an important milestone – their first million dollars in annual export sales.

More and more Canadian businesses are recognizing the rewards of exporting and are looking for ways to reduce the risks of selling in uncharted territory. In 1999, more than 4,000 small- and medium-sized exporters did $6.1 billion in export business in 157 countries with EDC support.

Want to export, but the risks have held you back? Call **1-800-850-9626** *to speak to an insurance specialist at EDC.*

UPCOMING SEMINARS FOR EXPORTERS

Current and future exporters of parts, tools, moulds, and equipment, as well as suppliers to Tier 1s, will benefit from this seminar covering risk management strategies and specialized trade finance services for the automotive industry.

→ **EDC Automotive Seminar**
When: Wednesday, October 18, 2000
Where: Giovanni Caboto Club
2175 Parent Avenue, Windsor, Ontario

A specialized seminar for current or future exporters of agri-food products or primary agricultural products such as soybeans, cattle, corn, swine, fruit or horticultural products.

→ **Agricultural Export Risk Management Seminar**
When: Tuesday, November 14, 2000
Where: Ministry of Agriculture Food and Rural Affairs Building
1 Stone Road West, Guelph, Ontario

For further information on either of these seminars, please contact Lillian Gagnon at 1-888-332-2360.

After GLOBE 2000: the greening goes on

by Toby Herscovitch

WHILE THE CONFERENCE may be over, the valuable contacts that thousands of environmental firms made with international government officials, potential foreign buyers and lenders continue to bear fruit. For EDC, the conference proved an excellent opportunity to connect with many of the leading environmental firms across Canada.

From left, EDC's Lisa Parker, Toronto office, and President A. Ian Gillespie visit with Walter Lucas, Vice-President, Sales, of Comenco Systems at the GLOBE 2000 Trade Fair. Comenco specializes in process combustion and pollution control systems for industries worldwide.

EDC's major sponsorship of GLOBE 2000 this past spring is a harbinger of the increased focus that the corporation now places on this growing sector. According to EDC's Chief Economist Stephen Poloz, who spoke at GLOBE, two key trends favour environmental business growth this year – the synchronized global expansion and the push to raise environmental guidelines in global commerce. He sees environmental business opportunities in places like Algeria, South Africa and Iran, and in European countries like Portugal, Spain, Greece, the Baltics, Hungary, Poland and the Czech Republic.

Canada's green expertise opens doors to "big-E" biz

by Ashley Ford, Staff Reporter, Vancouver Province *March 23, 2000 (republished with permission)*

CANADA'S BIOTECH and environmental expertise stands to make major gains from "big-E" business, says the head economist of the Export Development Corporation.

Stephen Poloz, the corporation's chief economist, told a Globe 2000 conference in Vancouver that the strongest global economic growth in six years means more countries will have money to spend on environmental projects.

"Canada has emerged as something of a world leader in environmental "big-E" business with some 6,000 companies specializing in such things as water purification technologies, industrial waste management and green combustion systems."

Poloz said about 800 Canadian companies in the environmental sector are exporters, or export-ready, and poised to take advantage of these business situations.

The world is expected to have four per cent economic growth this year and the push to raise environmental guidelines internationally is clearly gaining momentum, he said.

"What this means is that as time goes on a higher proportion of global infrastructure projects will incorporate environmental technology, and Canadian companies stand to gain a great deal from these trends."

Canada hosts World Petroleum Congress

by Cathy Lynch

FOUNDED IN 1933 TO PROMOTE the management of the world's petroleum resources, this year the World Petroleum Congress (WPC) is being hosted for the first time by a North American city.

"Energy products account for about one quarter of Canada's exports, and hundreds of thousands of jobs. So staying on top of global trends and activities in the industry is critical for us," notes EDC's Jim Christie, Vice-President, Western Canada. From June 11-15, Calgary will host both the biannual National Petroleum Show (NPS), and the 16th World Petroleum Congress.

ENERGY PRODUCTS ACCOUNT FOR ABOUT ONE QUARTER OF CANADA'S EXPORTS, AND HUNDREDS OF THOUSANDS OF JOBS.

EDC is proud to be a sponsor of WPC and an exhibitor at NPS. NPS, the largest oil and gas trade show in the world, is held every two years in Calgary, and features over 1,100 exhibitors and attracts 47,000 visitors. This year, the NPS and the WPC will be held simultaneously.

WPC is held every three years and is supported by 57 of the world's petroleum producing and consuming countries. The theme for this year's WPC is "Petroleum for Global Development – Networking People, Business and Technology to Create Value." Participants will have an opportunity to explore related issues via daily plenary sessions, 24 forums, 12 review and forecast papers, and a free series of technical exhibits.

For more information: www.wpc2000.com.

called upon to publicly address such topics as exporting, technology transfer, marine shipping and ocean policy.

Mary Brooks, Director of the Centre, sees value in this new relationship. "We [at Dalhousie] are delighted with our new partnership with EDC. Both organizations have a mandate to grow an export culture in Canada," she said. "Although our approaches may differ, we see a match between the visions of the two organizations. Both the students and the business community are sure to benefit."

For more information on EDC's EYE strategy, contact Marie-Claude April at (613) 598-6846 or mcapril@edc-see.ca.

EDC supports Dalhousie's Centre for International Business Studies

by Patricia Smith

AS PART OF ITS EDUCATION and Youth Employment (EYE) strategy, EDC is proud to announce its three-year commitment to support the Centre for International Business Studies (CIBS) at Dalhousie University in Halifax. The Dalhousie CIBS is one of four centres across the country created in 1975 with the assistance of the federal government. Beginning April 1, 2000, these centres will no longer receive funds from the Department of Foreign Affairs and International Trade.

As a result of EDC's support, the Centre will remain open in 2000 as it enters its 25th year. Along with its financial support of the Centre, EDC will be offering an International Studies Scholarship with a work term at EDC.

The guiding statement of the Centre is to be a leader in international business teaching and research, enhancing Canada's global competitiveness through innovative programs and outreach services. Its programs and activities are focused on getting export-ready companies into the international marketplace, while educating the next generation of international business professionals. Examples of such programs and activities are the European Business Program, the Pan-American Partnerships for Business Education and the Intern Program, all targeted at developing business students into world leaders while preparing Canadian companies to export. Through CIBS, Dalhousie students assist Trade Team Nova Scotia officers in their efforts to help businesses gather foreign market intelligence.

EDC IS COMMITTED TO PARTNERING WITH EDUCATIONAL INSTITUTIONS AND KEY STAKEHOLDERS TO BUILD AN EXPORT CULTURE IN CANADA.

The Centre also sponsors conferences, offers speaker series related to international business, and produces newsletters to inform the local business community of their activities. It is also involved in research in fields such as: international marketing, marine transportation, technology partnerships and trade policy. Faculty members are frequently

EDC adopts ACBS® loans servicing system

by Julie Harrison

EDC CUSTOMERS MAY NOTICE a slight difference in the next invoice they receive from EDC. That's because EDC has adopted a new state-of-the-art loans administration system, which results in a minor change to the appearance of EDC invoices. This is cosmetic only – the content has not changed. EDC customers will continue to receive the same information, with the same level of detail.

While the Advanced Commercial Banking Solutions Deal and Loan Servicing (ACBS-DLS) system will allow EDC to better manage its growing business volumes, it will also provide direct benefits to EDC customers. EDC can now answer customer inquiries in greater detail in "realtime" because the system automatically updates the EDC database daily. In addition, the system offers exciting possibilities for future EDC e-commerce developments.

If you are an EDC customer, you will receive an information brochure. Questions may be directed to Jacques Duval at (613) 597-8625 or jduval@edc-see.ca.

Bringing Canada to Mexico

by Deborah Chapman

"**MEXICO IS CLEARLY A PRIORITY** market for EDC, and I am delighted to have the opportunity to play a role in building on EDC's success in Mexico," said Marvin Hough, EDC's newly appointed full-time representative in Mexico City.

Preparing to host a reception in Mexico City to launch EDC's full-time market representation in Mexico. From left, Michael McLean, Vice-President International Markets; Eric Siegel, Vice-President Medium- and Long-term Financial Services; Patrick Lavelle, Chairman of the Board of Directors; and Marvin Hough, Market Representative, Mexico.

The foundation for the vibrant trade relationship between Canada and Mexico is strong and deep:

- →Mutual access to our markets has increased significantly since the implementation of NAFTA in 1994
- →Throughout the 1990s, trade between Canada and Mexico has increased dramatically. Last year alone, bilateral trade surpassed $10 billion.
- →In the last five years, Canadian investment in Mexico has grown by more than 300 per cent.

Hough will work to create new business relationships and partnerships, as well as build on the strong business network that EDC has already established.

Mexico and Canada share a mutual interest in working together to develop a number of industrial sectors, including oil and gas, electric power, telecommunications, mining, automotive, transportation, and agriculture. Last year, EDC provided support to 370 Canadian exporters and investors in Mexico, totalling over $1.2 billion in business volume.

EDC's market representative in Mexico, Marvin Hough, can be contacted by phone at 52-5-387-9316 or by e-mail at mhough@edc-see.ca.

EDC's ad moves mountains

By Julie Harrison

USING HIGH-TECH MAGIC to reverse the continental split in a matter of 30 seconds, EDC's new television ad celebrates the accomplishments of Canadian exporters and promotes its role in helping them achieve their success.

This television spot was recently launched in May during Canadian news and business programming. "With our aim to bring the world a little closer to Canadian exporters, we've adopted the image of the pangea – the ancient super continent which split to form present day land masses," explains Mary Van Buren, EDC Marketing Project Manager. She adds, "The spot is truly unique – it combines both original footage and the latest in computer animation techniques to visually portray how the world is getting closer."

"The TV spot also introduces EDC's new worldwide tagline, *Realize a World of Opportunity*," continues Van Buren. "Exporters are a special type of entrepreneur and we wanted to reflect their enthusiasm and sense of adventure in our tagline and the role we can play in helping them succeed."

Crown agency expands staff levels in Atlantic Canada

by Bruce Erskine, Business Reporter, Halifax Chronicle-Herald, *April 11, 2000 (republished with permission)*

BURGEONING REGIONAL EXPORTS – worth more than $1 billion in 1999 – have prompted the Export Development Corp. to increase its Halifax office staff and open a new office in Newfoundland.

"It is as a result of this growth, and the potential for further growth that has been identified, that EDC has decided to open an office in St. John's and to add additional staff to our office in Halifax," senior vice-president Rolfe Cooke said Monday.

The federal Crown corporation helps Canadian companies compete internationally by providing them with finance and risk management services such as export credit insurance, loans to foreign buyers of Canadian goods and services, and guarantees.

In 1999, the corporation supported nearly $1.1 billion in sales and foreign investments by Atlantic Canadian companies, a 143 per cent increase from $438 million in 1998.

Jeff MacArthur, a Dalhousie University MBA graduate who managed the Bank of Nova Scotia's international trade finance group in Halifax, has joined the corporation's Halifax office.

MacArthur said in an interview Monday that he will focus on providing a full range of services to Nova Scotia firms looking to enter export markets.

"I'll work with any Nova Scotia exporter to develop solutions," he said.

David Surrette, manager of the Halifax office, has been named to the newly created position of business development director. He will co-ordinate all of the corporation's marketing efforts in Atlantic Canada.

Surrette, also a Dalhousie graduate, joined the corporation in 1998. He has an extensive knowledge of the local market, serving from 1982 to 1996 as a branch manager for several Canadian banks, including the Bank of Montreal and the Hongkong Bank of Canada.

"Atlantic Canada is home to many exporters," Surrette said. "But where export opportunities exist, so do uncertainties and risks. That's where EDC can play a key role – helping companies managing those risks."

Darrell Spurrell has been named the corporation's new business development officer in St. John's.

Spurrell, who has a banking background, was most recently manager of business support programs with Newfoundland's Industry, Trade and Technology Department.

The corporation has operated an office in Halifax to assist Atlantic Canadian exporters since 1978. It also has an office in Moncton to serve exporters in New Brunswick and P.E.I.

CLAIMS PAID

JANUARY 1, 2000 – MARCH 31, 2000

Companies	Claims	Cdn $ Total
220	332	$27,006,802

Export Markets	Count
Africa & Middle East	2
Asia & Pacific	8
Europe	27
South America	8
U.S.A. & Caribbean	287
Risks	
Default	252
Insolvency	76
Call of Bond	1
Repudiation	3
Political and Transfer	0
Termination of Contract	0
Import Permits	0
Payments	
Under $5,000	127
Between $5,001 and $100,000	178
Between $100,001 and $1 million	24
Over $1 million	3

EDC APPOINTMENTS

ATLANTIC CANADA

Jeff MacArthur
Business Development Manager
Halifax, Nova Scotia
jmacarthur@edc-see.ca

Darrell Spurrell
Business Development Manager
St. John's, Newfoundland
dspurrell@edc-see.ca

(see article page 6 for more information)

CHINA

Alison Nankivell
Market Representative
Beijing, China
anankivell@edc-see.ca

EDC has appointed Alison Nankivell (formerly Regional Manager for China, EDC Head Office) as EDC's permanent representative for China. A fluent Mandarin speaker, Alison has worked in the China business field for the past ten years.

BOARD OF DIRECTORS

Dominique Vachon has been appointed by the Minister for International Trade to EDC's Board of Directors for a three-year term. She brings to EDC 15 years of experience in economics in the field of research and development in the private sector. In 1991, Vachon joined the National Bank of Canada and is currently Vice-President and Chief Economist. Prior to 1991, she served as an economic advisor with the consulting firm Econobec Inc.

EXPORTWISE

EDITOR
Cathy Lynch
clynch@edc-see.ca

ASSOCIATE EDITOR
Julie Harrison
jharrison@edc-see.ca

EDITORIAL ASSISTANT/DESKTOP DESIGN/CIRCULATION
Deborah Chapman
dchapman@edc-see.ca

CREATIVE DIRECTION & PRODUCTION
Paul Cavanaugh, ACME Advertising + Design

FILM & PRINTING
The Lowe-Martin Group

CONTRIBUTORS
Cressida Barnabe, Marc Beaulieu, Brenda Brown, Deborah Chapman, Lorne Cutler, Maria Forde, A. Ian Gillespie, Julie Harrison, Lillian Gagnon, Michael Hayes, Toby Herscovitch, Laraine Kaminsky, Kathy Karakasis, Linda Kenny, Sujatha Kumaraswami, Chantal Lalande, Cathy Lynch, Stephen Poloz, Richard Schuster, Patricia Smith and Mary Van Buren

TRANSLATION
(from *Export Wise* to *Exportateurs avertis*)
Anita Poirier

ADVISORY BOARD
June Domokos, Andrew Douglas, Françoise Faverjon-Fortin, Ruth Fothergill, Walt Hutchings, Leslie Kenway, Keith Milloy, Maguy Robert, Kurt Rufelds, Mary Van Buren and Jayne Watson

Export Wise is published four times a year by EDC's Corporate Communications Department.

CPC Agreement No.: 1456571

EDC 151 O'Connor Street, Ottawa, Canada K1A 1K3
Tel.: (613) 598-2500 Fax: (613) 237-2690
Internet: http://www.edc.ca

Export Development Corporation (EDC) is a Canadian financial institution devoted exclusively to providing trade finance services in support of Canadian exporters and investors in up to 200 countries. Founded in 1944, EDC is a Crown corporation that operates as a commercial financial institution.

The editors welcome letters of comment on articles that appear in *Export Wise* or on events and issues related to the Canadian export industry. Letters may be edited to meet the magazine's style and space requirements.

All dollar amounts indicated in the magazine are in Canadian dollars unless otherwise specified.

Ce document existe également en version française sous le titre Exportateurs avertis

Be sure to visit EDC's Web site: www.edc.ca

TOWERING ABOVE THE COMPETITION

→Énergie SBB International has caught the attention of countries around the world with its ecologically friendly, affordable modular mast system that can restore power quickly, safely, in virtually any location. **by Cressida Barnabe**

When catastrophe strikes, the threat of a power failure can become reality. If unprepared, a city or even a country can be left reeling while trying to restore power. Énergie SBB International based in St-Eustache, Quebec, has developed an ecologically sound modular mast system that can restore power in a matter of hours, virtually anywhere in the world.

Founded in 1995, SBB has been towering above the competition since it took on the challenge of designing a product that was safe and easy to assemble, could be transported inexpensively, and met high-quality standards. The result is a series of systems that is generating more than just power – it is generating demand.

Interest from privatized foreign utility companies in emergency restoration systems is driving SBB's growth. "These countries have to pay heavy fines for each hour of service that is disrupted after a designated period of time. They require affordable solutions that will quickly restore power," explains Roger Cartier, SBB Project Manager. "A power failure should not last more than 24 hours, and our systems can ensure power is restored within hours."

Although SBB's products have become synonymous with emergency restoration, customers are increasingly seeing the benefit of having a product in place that can provide power while maintenance is being done on a transmission line.

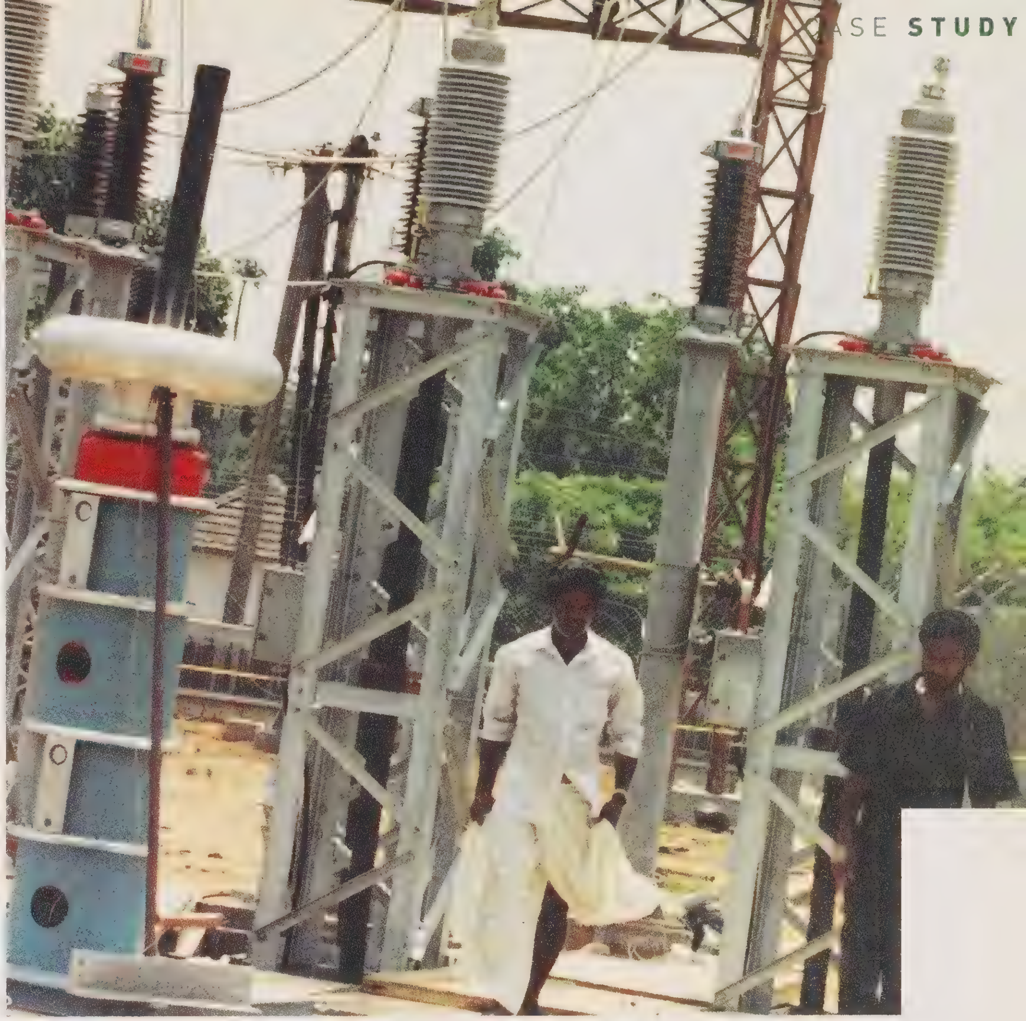
EDC support has been pivotal to the success of this small Quebec business. By taking advantage of EDC's existing lines of credit with financial institutions around the world, SBB has been able to secure contracts in many of its key markets. "EDC support can often seal the deal," explains Cartier. "Foreign buyers like the security of dealing with EDC and, for us, being paid up front means we can continue to purchase equipment and bid on new contracts."

In other cases, SBB also benefits from EDC's export credit insurance, which protects it against 90 per cent of losses if its foreign buyers don't pay. "We are growing extremely fast and, thanks to EDC, we know our receivables are protected. It allows us to grow with confidence."

SBB recently caught the attention of the World Bank who recognized the ingenuity and potential market growth for affordable solutions in emergency preparedness and transmission line maintenance. For SBB, the sky is the limit.

PROFILE

Business: Emergency power restoration
Established: 1995
Number of employees: 40
Export business: 99%
Export market: South America
Strategic markets: South America, Asia and Europe
Export business finders: International sales force
EDC relationship: Export credit insurance, buyer financing
Contact: www.sbbintl.com



EHV PLUGS INTO GLOBAL OPPORTUNITIES

by Michael Hayes

STEPHEN BURKS KNOWS AN opportunity when he sees one. Consider the way his company, EHV Power Corporation, came into being. "It was a closure that created an opportunity," says Burks, President of EHV Power, referring to the closure of the Alcatel Canada Wire High Voltage Business in 1996. In 1997, Burks and two other former Alcatel employees launched EHV (Extra High Voltage) Power – an infrastructure service company specializing in underground electrical transmission cable systems, that now employs a team of 12 working out of Markham, Ontario.

EHV Power has carved a niche in a market that is "very receptive," says Burks. The company is a growing force to be reckoned with among those supplying the services and technology that carry massive amounts of power – at 69,000 volts and above – through the underground cable networks that are used to route electricity into cities. EHV Power's technicians and electrical engineers design, install and service underground electrical cable systems, as well as manufacture and supply the specialized accessories that are common to such systems.

EHV Power can also respond to an emergency situation, making it a one-stop, state-of-the-art shop capable of meeting the increasing demands of the electrical power industry.

Although EHV Power's products and services keep going down (underground that is), its success keeps going up. Since it opened its doors, sales have gone from $620,000 ($340,000 in export sales) in its first year to $4.3 million in sales last year ($2.6 million in exports).

While the United States remains the company's strategic export market, EHV Power has gone global with business in Egypt, Saudi Arabia, Puerto Rico, Honduras and Panama, and it is currently working on a project in Venezuela.

The company's success, says Burks, is a combination of its personnel, its products and services, and its relationship with EDC. "EDC really understands the needs of small business, and we would not have been able to sustain the level of growth we have achieved without its support," says Burks. "We will continue to involve EDC as much as possible and explore other services EDC has to offer."

The company's first contact with EDC was in 1998, when EHV Power submitted a bid bond for a project in Bangladesh, supported by EDC's bid security guarantee (BSG) and bid security insurance (BSI). Though EHV Power did not win the job, Burks was impressed with EDC's service and fast turnaround – the BSG and BSI were in place within two days of EHV's initial contact.

Soon after that, Burks signed a global comprehensive insurance policy with EDC to cover off political and commercial risk of non-payment for its foreign account receivables. According to Burks, this insurance was a key move for EHV Power because it allowed the banks to extend its lines of credit – a must for a company that has a big cash outlays prior to being paid. In the past two years, EDC has also provided EHV Power with a performance security guarantee for advance payment, performance and warranty bonds for a project in Honduras.

PROFILE

Business: Extra high voltage underground cable systems
Established: 1997
Number of employees: 12
Export business (1999): $2.6 million
Export markets: North America, Central America, South America, Middle East
Strategic market: North America
EDC relationship: insurance, bid security guarantees, performance security guarantees
Contact: sburks@ehvpower.com

→Technological advances in our oil and gas industry are helping keep Canada competitive, and resulting in a wide range of employment and goods and services supply opportunities – both domestically and abroad. **by Julie Harrison and Cathy Lynch**

CANADA'S OIL AND GAS INDUSTRY:

HIGH-TECH INNOVATIONS KEEP CANADA COMPETITIVE

Newdock, St. John's Dockyard Limited is living proof of how new technology can throw open the doors to business opportunities at home and abroad. As a leading Canadian manufacturer of subsea template and manifold components used in offshore drilling, Newdock is positioned to supply the Terra Nova oil field off the coast of Newfoundland, which is now under development and scheduled to start up early next year. It is also well-positioned to compete for subsea fabrication work on other Grand Banks developments and on international projects. →

The company's growth has been explosive, according to Phil Kinsella, the company's Offshore Services Manager. "Newdock has grown from 40 to 225 people in the past year, and we now have a $2 million Subsea Systems Service Hall to support the offshore industry here. Also, in recent months, we've been approached by a number of companies about providing equipment and services, to the point where we're saturated with quotes."

supplier was brought in as the fabrication partner of FMC Kongsberg Subsea, a member of the Terra Nova Alliance. A strategic alliance with FMC Kongsberg has enabled the transfer of fabrication technology to Newdock.

Newdock sent 10 employees to work at Grenland Offshore for six months to become familiar with the fabrication processes and acquire the necessary skills. In April 1999, the team returned to St. John's and got to work

"This specialized subsea technology is opening doors for us in international markets as well," adds Kinsella. "Since we've taken on the Terra Nova project, we've been approached by a number of international companies to work on other projects. We're making international contacts, branching out."

Both Kinsella and Newdock's Executive Vice-President, Dan Burry, participated in

"Since we've taken on THE TERRA NOVA PROJECT, WE'VE BEEN APPROACHED BY A NUMBER OF INTERNATIONAL COMPANIES TO WORK ON OTHER PROJECTS. WE'RE MAKING INTERNATIONAL CONTACTS, BRANCHING OUT."

This represents a remarkable turnaround for a company that was, until three years ago, a traditionally run, federally owned dockyard with a diminishing reputation and bleak prospects. In 1997, the 111-year-old dockyard was privatized, and new owners Austin Burry and Ches Penney set out to refurbish the facility, replace and update equipment, and implement ISO quality standards. In addition to its existing ship repair services, Newdock expanded its business to include an offshore fabrication facility to service the growing Newfoundland oil and gas industry. (Industry experts predict that, by 2004, Newfoundland and Labrador will produce 40 per cent of Canada's total output of light crude petroleum.)

In 1998, Newdock's expansion into offshore fabrication paid off with an approximately $8.5 million contract on the Terra Nova project. This contract has also served as a springboard to advancing Newdock's offshore fabrication capabilities. The Terra Nova project is being implemented by an alliance of contractors, with Petro-Canada as project operator and one of the sponsors.

Terra Nova will need seven subsea template and manifold systems when it begins drilling for oil in early 2001. Newdock is fabricating three of them. The other four were contracted out to Grenland Offshore of Norway, one of the few facilities in the world that fabricates subsea systems. The Norwegian

on their portion of the contract. So far, Newdock has delivered two templates (one last October and another this past April), and its first manifold was delivered this past May.

"The technology transfer is working both ways," says Kinsella, "because we took what we learned in Norway and modified it quite a bit. Our revised construction approach will result in significant cost savings for FMC Kongsberg Subsea. As a result, Grenland Offshore has adapted its operations to incorporate some of the ideas that we developed."

With the Terra Nova contract well underway, Newdock continues to anticipate future demands. "We're building our infrastructure to support any offshore activities on the east coast of Canada, such as the future development of the White Rose oilfield," says Kinsella. For example, Newdock's new Subsea Systems Service Hall – the first of its kind in Canada – was built to maintain and refurbish the subsea equipment. "This is all new technology, all new equipment for the subsea systems being installed offshore for Terra Nova. We know a facility will be needed to maintain this equipment during its life expectancy, and this hall will enable us to service the subsea templates, manifolds and Christmas trees that are out in the Terra Nova development. We fully expect this will lead us into White Rose and other future offshore developments as well."

an oil and gas mission to Brazil last October, in which EDC was also involved. According to Burry, this was Newdock's first contact with EDC, and it made Burry and Kinsella aware of what EDC could bring to the table in structuring an export deal. "Brazil is very heavily into subsea production but there is a cash flow problem, so the financial support that EDC can offer is a positive factor in getting a contract there," says Burry. "We're now discussing with EDC a couple of projects involving FMC Kongsberg Subsea. Burry adds that the company already has prospects in Brazil, Angola and Nigeria. "Having EDC on board is a definite asset to us when getting involved in projects internationally," he says. "Otherwise, it would be very unlikely that we could consider deals like the ones in Brazil."

Technology transfer within Canada

Once centred almost entirely in western Canada, the oil and gas industry is now breathing new life into the economies of east coast provinces, thanks in part to the transfer of technologies developed in Alberta. Off the shores of Nova Scotia, the $3 billion Sable Project has yielded as many as 4,000 jobs at its peak, and enabled Nova Scotia to become a supplier and exporter of natural gas. "Some of the technology being used today on the Sable Project didn't ex-

ist 10 years ago," says Tim Brownlow, Chairman of the Offshore/Onshore Technologies Association of Nova Scotia (OTANS). "The Sable Basin is the fourth largest basin in North America, and it was the largest untapped. Now we are an energy supplier for the Canadian Maritimes and the northeastern United States, with enormous future potential." The Sable Project consists of six fields, with an expected harvest of 3.5 trillion cubic feet of natural gas over the next 20 to 25 years. Among the key technologies that helped make the Sable project possible is directional drilling developed in Alberta.

"Alberta drilled a lot of straight holes for years," says Brownlow. "However, to deplete your reservoir more efficiently and economically, a directional well seems to be the answer. And, while offshore drilling may have been perfected to a certain extent in the North Sea or in the Gulf of Mexico, a lot of this new drilling technology first started in Alberta."

In October 1999, Newdock completed the first of three subsea template and manifold systems it is supplying to the Terra Nova project.

Among the companies involved in drilling innovations is Alberta-based Precision Drilling Corporation. By consolidating and absorbing several smaller firms, Precision Drilling has become the largest drilling contractor in Canada.

According to Richard Seto, Precision's Director of Strategic Communications, international growth forms a pillar of Precision's strategic direction. A critical component in expanding internationally is understanding and mitigating risks associated with certain markets. EDC provides both financing and insurance in support of Precision's international activities. Seto adds, "Precision seeks to expand its relationship with EDC to accelerate the entry of our technology into new markets."

One of Precision's three business segments is oilfield specialty services, which encompasses Northland Energy Corporation. Northland is making significant inroads in international offshore drilling. It was recently awarded a contract in Indonesia with YPF Maxus, a subsidiary of Repsol, one of the largest oil companies worldwide. Working with Shell U.K. on another key contract in the southern North Sea is also helping to establish Northland's reputation internationally. "The Southern North Sea is extremely safety conscious and one of the most regulated drilling environments, so we're particularly proud to be chosen to work on this project," observes Seto.

During peak periods, Northland employs about 350 worldwide, and it has brought its technology to more than 10 countries outside of Canada, including Mexico, the Middle East, Colombia, Venezuela, and China.

Northland has a number of new technical developments underway at all times. It was Northland's developments in underbalanced drilling technology that made it a particularly attractive acquisition for Precision, because it allows Precision to offer a full-service, integrated underbalanced drilling solution. Although underbalanced drilling was first used to address the concerns over formation damage in horizontal drilling, the technology has since evolved into controlled pressure drilling (CPD) and is being applied in underbalanced, balanced and low head drilling applications. Operators now use CPD technology as a development drilling tool to enhance the economics of their drilling and completion operations. Seto explains, "underbalanced drilling technology is not the magic solution for every well drilled, but given the right conditions, this technology can substantially increase the productivity of oil and gas reservoirs over the long-term." By constantly examining and refining its CPD technology for onshore and offshore technology, Northland is quickly earning a reputation as a CPD world leader.

Although a number of gases will satisfy the gasification requirements of CPD, a large majority of operators use nitrogen gas supplied through cryogenic pumping systems or nitrogen membrane systems. "This can be prohibitively expensive though," observes Seto. "I've seen companies spend $30,000 to $60,000 – even $100,000 a day – on cryogenic nitrogen." Northland owns an ingenious alternative technology to cryogenic nitrogen: exhaust gas processors (EGPs). Using exhaust gas from motors, the EGP compresses this gas and then pumps it down hole to lighten the fluid column as required by the CPD drilling program. "We consider this a resourceful use of energy," says Seto. Northland's confidence in EGP technology is underscored by the millions of dollars it has allocated for fully developing and enhancing its exhaust gas technology.

R&D tops the agenda

It is precisely these types of technological enhancements to traditional drilling procedures that are enabling growth in Canada's oil and gas industry. Bob Tessari, President of Calgary-based Tesco Corporation, is another key player. "I started up the company in 1986, with the intent of changing the way we drill wells to make it a more efficient process," explains Tessari. Tesco's drilling division includes portable top drives as well as automated drilling rigs, integrated underbalanced drilling systems, and its revolutionary casing drilling process. These innovative drilling technologies continue to attract worldwide industry attention for their capacity to reduce the costs of drilling and producing oil and gas wells.

Tesco presently employs about 650 people and operates in over 20 countries at any given time. "Frequently we operate in countries where we feel our cash flow and equipment could be in jeopardy due to political risk, insurrection, or other unanticipated acts of violence," says Tessari. He adds, "we appreciate EDC's willingness to work with us in developing financing and insurance packages that mitigate these risks, and our customers appreciate that we are prepared to work alongside them in potentially hostile environments."

Tesco's first invention, the portable top drive, was successfully commercialized in 1993, at which time the corporation went public. "Our portable top drives have saved oil and gas operators millions of dollars in drilling efficiency, and in many cases have allowed these operators to drill wells that might otherwise have been too expensive or impossible to drill," notes Tessari.

When Tesco went public, its management group made a commitment to an on-going, in-house research and development program. Tessari explains, "We saw very little change happening in the drilling process. Yes, there was new tool development going on, but it was for an old process that we felt had to be changed." Tesco has successfully developed two new drilling processes as a direct result of its research program: casing drilling and integrated underbalanced drilling. "Tesco has committed a large part of its R&D budget to fully commercializing these two systems on a worldwide basis," notes Tessari.

Tesco's patented casing system will case the hole as it is drilled and will eliminate many of the so-called "unscheduled events" that commonly occur with today's conventional process, now over 100 years old (invented in 1901 to replace cable tool drilling). The casing drilling system does not require drill pipe, so it saves the time and costs associated with buying and handling it. "To date, Tesco has spent about $15 million over the past four years to develop the process, and now we are starting the commercialization phase," says Tessari. In field trials, the system has shown up to 20 per cent in savings and Tesco foresees a 10 per cent further increase in savings as they continue to develop the technology. Clearly, for operators, this type of savings can have huge implications as it lowers finding and developing costs. For Tesco, this invention stands to put the company on a high growth path for many years to come.

cutting costs critical to ongoing success

By taking a serious look beyond conventional oil sources, the Syncrude Project and Suncor Energy have added a new dimension to the industry in Canada. These companies are the key players in mining the Alberta oil sands at Athabasca. The resource potential of Canada's oil sand deposits is estimated to be as high as 1.7 trillion barrels of bitumen. The recoverable reserves are equal to or greater than the conventional oil reserves in Saudi Arabia.

While discovery of the oil sands is not new, the technologies for mining, extraction and upgrading of bitumen have just in the past few years evolved enough to cut costs in half. This brings them in line with conventional oil operations when finding and development costs are included. Operating in the Athabasca oil sand deposit in northeastern Alberta, Syncrude Canada Ltd. now produces crude oil for well below $13 a barrel, down from $25 a barrel two decades ago. New technologies have also increased Syncrude's output, from 31 million barrels in 1984 to more than 80 million barrels of crude oil per year today.

Syncrude began production of crude oil in 1978, mining and processing the Athabasca

CANADA'S OIL & GAS INNOVATORS
highlighted in this article

"new mining technology that will become standard in the oils sands mining industry"
AEC OIL SANDS
Calgary, Alberta
www.aec.ca

"robot will be available by end of year"
ENBRIDGE INC
Calgary, Alberta
www.enbridge.com

"infrastructure to support any offshore activities on the east coast of Canada"
NEWDOCK
St. John's, Newfoundland
www.newdock.nf.ca

"accelerate the entry of our technology into new markets"
PRECISON DRILLING CORPORATION
Calgary, Alberta
www.precsiondrilling.com

"lower energy requirements and also lower emissions"
SYNCRUDE CONSORTIUM
Fort McMurray, Alberta
www.syncrude.ca

"economical technology that is relatively new to Canada"
TERRA NOVA ALLIANCE
Grand Banks, Newfoundland
www.terranovaproject.com

"on-going in-house research and development program"
TESCO CORPORATION
Calgary, Alberta
www.tescocorp.com

"direct Canadian spin-offs"
WESTCOAST ENERGY
Vancouver, British Columbia
www.westcoastenergy.com

oil sands. Syncrude is jointly owned by AEC Oil Sands L.P., Athabasca Oil Sands Investments Inc., Canadian Occidental Petroleum Ltd., Canadian Oil Sands Investments Inc., Gulf Canada Resources Limited, Imperial Oil Resources, Mocal Energy Limited, Murphy Oil Company Ltd., and Petro-Canada, with Syncrude as the Project Operator.

According to Song P. Sit, Vice-President of AEC Oil Sands L.P., over the past two decades Syncrude has developed dozens and dozens of small innovations and improvements in oil sand mining, extraction and upgrading technologies, which have collectively resulted in the efficiencies enjoyed now.

Oil sand is composed of sand, bitumen, mineral rich clays and water. The bitumen extracted from the oil sand is made up of 50 to 60 percent oil, 30 to 35 percent resins and 10 to 15 percent asphaltenes. In its raw state, bitumen is a black, asphalt-like oil, about the thickness of molasses. It requires upgrading to make it transportable by pipeline and usable by conventional refineries. The upgraded bitumen product consists of naphtha, light and heavy gas oils that are combined to produce a light, sweet crude oil that Syncrude calls Syncrude Sweet Blend (SSB).

Innovations in oil sand technologies

According to Sit, Syncrude has initiated a new mining technology that has become the standard in the oil sands mining industry. Two decades ago, a dragline/bucketwheel-excavator/conveyor technology was used. Syncrude's first mine had a 50-kilometre network of conveyors and four pairs of dragline/bucketwheel excavators; not only was the equipment itself expensive and less productive, but also it was expensive to maintain. Based on the increased truck/shovel capacities available today, Syncrude is in the process of shifting completely to a more economical truck/shovel/hydro-transport system.

Another key innovation is in the area of extraction. Water makes up about four per cent of the oil sand by weight, surrounding each grain of sand and keeping it separate from the oil. This layer of water makes it possible to separate the oil from the sand using hot water. Originally, the process employed 80°C water to lower the density of the bitumen, to the point where it would separate from the water and float to the top.

"Now, Syncrude has discovered that rather than relying on thermal energy alone, we can inject air bubbles and cause the bitumen to attach to the air bubbles. Then the bitumen is lifted to the surface and separated from the sand and water," explains Sit. "As a result, Syncrude is going to a lower energy extraction process, using 25°C water instead of 80°C. This will mean lower energy requirements and also lower emissions."

Another example of innovation is the processing capacity and utilization of Syncrude's two fluid cokers, upgrading units in which the bitumen is processed to produce synthetic oil. Their throughput has realized a 60 per cent increase, and their run length has been doubled since their start-up.

"As a part owner, we are allowed to use any research and innovations coming out of Syncrude," says Sit. "It is very helpful that we have access to knowledge about the characteristics of bitumen, because in order to process or upgrade the bitumen one has to know its chemistry. This knowledge helps with marketing when we are selling bitumen that we produce elsewhere in the Athabasca oil sand deposits to a refinery, and in producing an upgraded crude oil."

Technological improvements have already made it possible for Syncrude to produce and sell oil – in both Canada and the United States – at competitive prices. Furthermore, notes Sit, there may be opportunity to export Canadian expertise in bitumen extraction and cleaning or upgrading, to countries such as Venezuela and others where they produce extra heavy oil with characteristics that closely resemble those of bitumen mined here.

At Syncrude's upgrading facility, bitumen is converted from a tar-like substance to Syncrude Sweet Blend crude oil.

Westcoast Energy's gas processing and compression platform project in Campeche, Mexico is resulting in spin-off contracts for other Canadian companies.

As part of its preparation and research into future export opportunities, AEC maintains ongoing contact with EDC, says Derek Bwint, AEC's Director of Corporate Risk. In addition to using EDC's political risk insurance for some of its oil field developments in Azerbaijan, AEC continues to take advantage of EDC's annual risk workshops to stay on top of relevant products and services, and remains in regular contact with EDC personnel.

Partnering to meet industry demand

As the world's third largest producer of natural gas and the eleventh largest producer of oil, Canada's production significantly exceeds domestic demand. Surplus supplies are exported primarily to the United States; today, Canada supplies about 15 per cent of U.S. natural gas requirements (up from four per cent 20 years ago), and about 1.3 million barrels per day of crude oil are exported to U.S. refineries.

Canadian transmission pipelines are the vital links that connect oil and natural gas producers in remote areas of Canada to valuable export markets, transporting 95 per cent of all crude oil and natural gas produced in Canada, and incorporating more than 340,000 miles of pipe. Greater export capacity at a reasonable cost is necessary to enable producers to take advantage of expected growth in demand, and relieve some of the pent-up supply in the Canadian producing basins. Tackling this challenge are several Canadian companies.

Headquartered in Vancouver, with more than 6,000 employees across Canada, Westcoast Energy Inc. is a key partner in many new major pipeline projects across North America. Pipelines, however, are only one of Westcoast's areas of expertise. Westcoast operates four divisions: pipeline storage, transportation and services; power generation; natural gas distribution; and energy services.

"Most of our projects today involve partners; certainly in large pipeline projects, we partner from the outset. It is an important part of our strategy and something I spend a lot of time working on," comments Mike Stewart, Executive Vice-President of Business Development, Westcoast. In North America, Westcoast is nearing completion on two major pipeline projects, the Alliance Pipeline Project and the Vector Pipeline, and on the horizon are the Millennium Pipelines. Both the Millennium West Pipeline Project, with an expected cost of $165 million, and the Millennium Pipeline Project, with an expected cost of $950 million, are now in the development stages.

International demand for Westcoast's infrastructure expertise is high. Its international division has been in operation for over ten years, with substantial investments in Mexico, Indonesia, China, and Australia.

Westcoast enters international infrastructure projects as a long-term investor, and in many markets, access to financing can be difficult. "We bring our technical and project management expertise to a country, but we also need to bring the requisite financial strength," notes Stewart.

EDC acts as a partner. "EDC has played a pivotal role for us, particularly in Mexico, which has been difficult to finance in the last couple of years," says Stewart. One such Mexico project is Cantarell, the world's largest nitrogen project with a capital of US$1 billion. Westcoast is a 20 per cent partner in this international consortium which includes companies from Canada, the United States, Japan, Germany, the United Kingdom and Mexico. Stewart notes, "EDC's commitment, in terms of magnitude and expediency, was critical to getting this project financed. EDC has been very helpful to us and to our partners." The Cantarell project is now bringing the first of four modules on-stream and within six months expects to be in full production. "We're on budget and ahead of schedule," notes Stewart.

Westcoast's international success is having a boomerang effect – its investments overseas are returning economic benefits to Canada. Not only does Westcoast

grow and prosper, but its suppliers do as well. Stewart points to a project involving the construction of a $250 million offshore gas processing and compression platform in Campeche, Mexico. "Our involvement in this project has resulted in direct Canadian spin-offs. For example, an Edmonton-based company was awarded the contract to build one of the processing units for the platform."

Creating opportunities

Calgary-based Enbridge Inc. is well-positioned to export both products and services, drawing on more than 50 years of pipeline operations experience, and the expertise of some 5,500 employees. One of its subsidiaries, Enbridge Pipelines Inc., operates the longest liquid hydrocarbon pipeline system in the world, while another subsidiary, Enbridge Consumers Gas, operates the largest natural gas distribution system in Canada.

Capitalizing on its experience and expertise in the areas of transportation and distribution of liquid hydrocarbons and natural gas, Enbridge Inc. is tapping into export markets not only with its pipeline technology, but also with its training and advisory services through subsidiary Enbridge Technology Inc. (ETI), which is a division of Enbridge International Inc.

"We tell our customers, the benefit of hiring us is that you don't have to suffer the consequences of making mistakes – you can learn from our experience," says Susan Miller, Vice-President Technology at ETI. "That can be worth millions," she comments. Originally developed for in-house use, ETI's pipeline operations training program caught the attention of others in the industry, and has generated significant demand. Some of the deals involving EDC financing include a US$1 million sale of training services and manuals to Petrobras in Brazil in 1996, and a US$12 million services contract with Pemex in Mexico last year.

"EDC took the initiative to approach Pemex and set up a line of credit facility," explains Gordon Kyle, Vice-President, International Business Development for Enbridge. "This really helps Canadian companies that want to do work with Pemex, because EDC has made it easier and more efficient for Pemex to work with Canadian companies."

For Enbridge, EDC insurance is often a factor when considering business in certain markets. According to Kyle, "political risk insurance is a very important service for us, particularly in countries where we would otherwise not put our money because of political instability. If we can get insurance from EDC, it gives us peace of mind that we'll get our capital back."

ETI does not always wait for opportunities to present themselves – it often creates its own. For example, in August 1999 the U.S. Department of Transportation (DOT) ruled that all pipeline operators must develop and maintain a written operator qualification (OQ) program by April 2001, and must have conducted an evaluation of employees and contractors by October 2002. With the development stage complete, every pipeline company will need to implement and maintain its OQ Plan. In partnership with Safety and Compliance Evaluation, Inc., ETI now offers U.S. pipeline operators a full range of OQ products and services necessary to comply with the new DOT ruling, ranging from initial analysis, through complete program design, implementation and maintenance.

Beyond the U.S. market, ETI has provided training and advisory services in more than 29 countries including Argentina, Brazil, China, Colombia, India, Korea, Malaysia, Mexico, Moldova, Turkey and Venezuela.

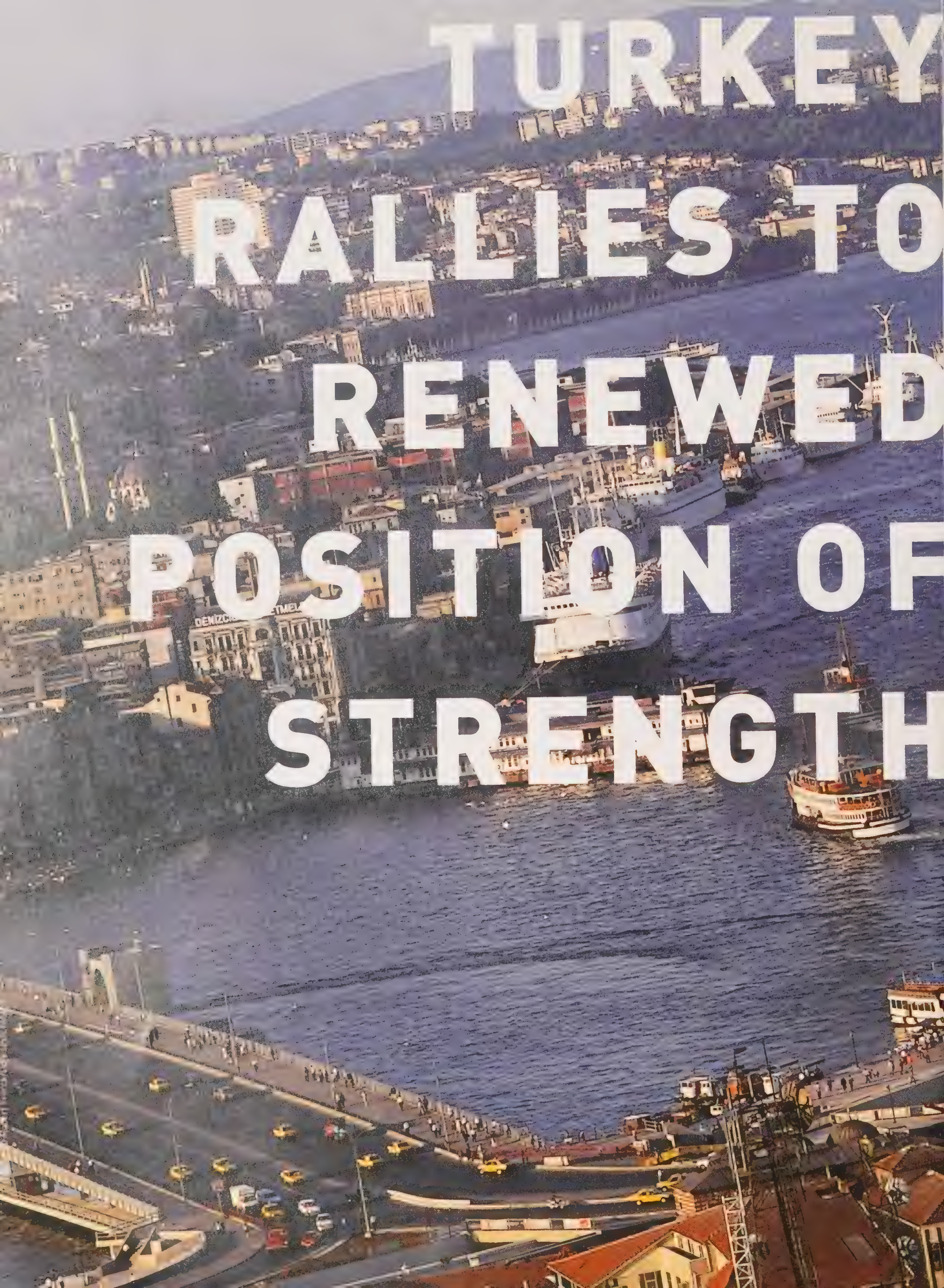
Another key export for ETI is the Pipeline Control System (PCS), an advanced SCADA system created and developed for liquid hydrocarbon pipelines by its affiliate, Enbridge Pipelines Inc. In 1968, Enbridge Pipelines Inc. became the first pipeline company in the world to implement computer controls on a liquid line, and it is currently developing an equivalent SCADA system for gas. The PCS controls and monitors the complex, multi-batch system from centralized locations, with communication covering more than 4,000 kilometres, via leased data circuits as well as satellite- and microwave-based networks. Through ETI, both the patented PCS system and the necessary training are available to other pipeline operators worldwide.

For specific markets, such as western and eastern Europe where cast iron gas distribution mains are common, ETI is developing another unique tool venture that Miller calls "robots." Used to ensure pipeline integrity, Miller says the robots are designed to go in and re-seal leaking joints on cast iron gas distribution mains. Already at the trial stage, the robot will be available by the end of this year.

It is this sort of pioneering approach that continues to strengthen Canada's global position in the oil and gas industry.

"We tell our customers, THE BENEFIT OF HIRING US IS THAT YOU DON'T HAVE TO SUFFER THE CONSEQUENCES OF MAKING MISTAKES – YOU CAN LEARN FROM OUR EXPERIENCE."

TURKEY RALLIES TO RENEWED POSITION OF STRENGTH



→ As a crossroad for Europe, Asia and the Middle East, Turkey is a uniquely positioned trading partner. In addition to being an important market in itself, it is one of the major gateways into the emerging markets of the region.

by Lorne Cutler

ONCE A GREAT EMPIRE, THE MODERN NATION OF TURKEY CONTINUES TO HAVE A SIGNIFICANT WORLD PRESENCE. Its claims to fame include being one of the first countries to give women the vote, the only secular Muslim nation in the world, a democracy in a region of few, a country of religious tolerance, and a major regional trading nation.

Following a series of challenges last year, Turkey has emerged with renewed strength. It began 1999 with a caretaker government in place, and its economy in steep decline due to the Russian crisis. Turkey's ability to borrow internationally was severely affected by the impact of the Russian crisis on all emerging markets. Following elections in April, there was no effective government until mid-June. Then, two months after the new government took charge, Turkey was stricken with its worst →

earthquake in modern history, followed by another severe earthquake just two months later.

Despite these setbacks, the groundwork has been laid for a turnaround on many fronts. Following several years of weak and ineffective government, the coalition government elected by Turkey in 1999 is its strongest governing body in years. It has tackled serious problems that had been plaguing the Turkish economy for years.

As a result, interest rates dropped in anticipation of inflation finally coming under control, and the international appetite for Turkish risk greatly increased. By the end of 1999, the Turkish stock exchange had some of the highest returns in the world for that year, with an increase of approximately 600 per cent. Also, Turkey finally received approval from the European Union for consideration of membership. Even in the face of natural disaster, the new government performed well: faced with a devastating earthquake in August, the Turkish government was able to provide temporary housing to all those who lost their homes, and it reacted quickly to the subsequent November earthquake.

Turkey as a trade destination

Turkey has always been an important market for EDC in Europe and it predicts even better things to come. Over the past few years, EDC and Canadian exporters have been active in Turkey on several fronts.

In 1996, EDC signed its first line of credit (LOC) with the Export Credit Bank of Turkey (Turk Eximbank). The purpose of this LOC was to help Canadian exporters take advantage of Turkish companies' strong links to the countries of the former Soviet Union and Eastern Europe, and to enable EDC to work with Turk Eximbank to support joint Canadian-Turkish projects. Under this facility, EDC supported projects for Nortel and its Turkish subsidiary Netas in Russia. This first LOC expired in 1999, and in August 1999 EDC signed a new US$50 million LOC with Turk Eximbank, which is valid until February 2001.

This newest LOC is designed to support joint Canadian-Turkish projects in third countries (see sidebar on this page). EDC continues to explore new ways in which it can work with Turk Eximbank in promoting joint Canadian-Turkish exports into emerging markets within surrounding regions.

Opportunities in infrastructure

Several infrastructure projects being undertaken by the Turkish government have yielded opportunities for Canadian exporters. Subway and gas distribution projects have significantly improved air quality in Ankara, Turkey's dynamic and growing capital city, and enabled Canadian suppliers to gain a foothold in the market.

EDC helped finance Bombardier and SNC-Lavalin during their construction of the Ankara subway system, which opened in 1998. EDC also financed a gas distribution system in Ankara by Attila Dogan. While Attila Dogan is a Turkish company, it actually established a subsidiary in Canada to source this project.

The Ankara subway system, which opened in 1998, is one of several infrastructure projects that have yielded opportunities for Canadian exporters to Turkey.

The Canadian subsidiary was able to draw on EDC financing for the Ankara project. That subsidiary is now doing projects in South America.

In mid-1998, the Governments of Canada and Turkey signed a protocol for the development of five hydro-power projects, which will be owned by the Government of Turkey. Several leading Canadian engineering and power companies are pursuing these projects, with EDC's backing.

In August 1999, the Turkish government passed a series of constitutional →

JOINING FORCES

On August 24, 1999, EDC signed a new line of credit (LOC) for US$50 million with Export Credit Bank of Turkey (Turk Eximbank), valid until February 2001.

Recognizing the significant experience of Turk Eximbank and Turkish companies in working with several newly emerging countries, particularly with those countries in central and eastern Europe and the central Asian Republics, this LOC is designed to encourage Canadian companies to work with Turkish companies both in Turkey and throughout the world.

Under this LOC, the funds have already been disbursed to Turk Eximbank. Therefore, Turk Eximbank will ultimately disburse the funds to Canadian exporters and their Turkish partners. It is also Turk Eximbank that assumes the risk of the end-borrower and will therefore approve the credit risk. The facility can be used to support acceptable Canadian transactions in Turkey and in joint Canadian-Turkish projects outside of Turkey. Both EDC and Turk Eximbank will approve transactions for financing, based on their respective criteria.

This LOC has broken new ground for EDC because the facility is designed to support both the Canadian and Turkish portion of any contract outside of Turkey, as long as EDC's normal Canadian benefits criteria are met. This is a major modification from the first LOC, and should facilitate both the interaction of Canadian and Turkish firms as well as the willingness of Turk Eximbank to approve transactions. EDC will assess transactions based on its normal criteria of exporter financial and technical capability and benefits to Canada. Turk Eximbank will assess transactions based on their normal criteria, including benefits to Turkey and borrower creditworthiness.

For transactions located in Turkey, EDC will only finance Canadian supply. Turkish content will be considered as local content and will not be eligible for support. As a result, Turk Eximbank is only likely to approve projects in Turkey if they are designed to contribute to Turkey's export capability. It will therefore be critical that Canadian companies working with Turkish companies seek to optimize their respective content in order to maximize the availability of financing under this facility.

TURKEY SITES HELP BUILD TECHNOMARINE'S BUSINESS

Turkey is the site of Technomarine International Management Inc.'s largest transaction to-date, and attracts visits from potential overseas customers who want to see the company's products firsthand. "The sites in Turkey continue to create business opportunities for Technomarine International Management Inc. throughout Europe," says Ghislain Charest, Managing Director at Technomarine.

Based in Repentigny, Quebec, Technomarine has worldwide experience as a marina designer and manufacturer of floating harbour equipment. To date, the company has more than 15,000 berths installed in 15 countries. Among these are two sites in Turkey, for which EDC provided financing support. "Smaller exporters are often required to provide financing to their foreign buyers, to help those buyers purchase from Canada," observes Linda Graupner, Team Leader for EDC's SME Financial Services Team. "EDC's streamlined and flexible financing products help Canadian exporters to compete effectively in international markets."

For Technomarine's transactions in Turkey, EDC used its fast-track documentation process, which provides faster turnaround and reduces the costs and travel requirements often associated with international financing transactions.

For more information, visit www.technomarine.com.

Prospective customers can view Technomarine's floating harbour equipment at the Port Gocek Marina, located at the head of the Gulf of Fethiye in Turkey.

amendments aimed at removing several barriers to private infrastructure development. While the requisite legislation is still being put in place, this positive change should facilitate the development of private sector infrastructure projects in the coming years, particularly in the power sector.

These same changes in legislation should open up opportunities in project financing over the next few years. In addition, privatization and liberalization within the power and telecommunications sectors offer further opportunities for Canadian companies.

Rebuilding yields opportunities

In response to the earthquakes of last year, EDC has analyzed the housing sector in Turkey and concluded that, while the requirement for replacement housing and infrastructure are extremely significant, they are actually only a small portion of Turkey's annual construction requirements. Every year, approximately 500,000 housing units are required to meet the demand of a growing population and internal migration to the stronger economies of western Turkey.

EDC sees numerous opportunities for Canadian suppliers of building materials to sell to the Turkish construction sector. While Turkish companies do an excellent job building apartments, there may be a significant niche market for Canadian companies providing Canadian-style, single-family housing to the upper end of the market. EDC is prepared to work with the leading banks in Turkey to support sales in this area.

Banking sector evolving

Over the next few years, it is expected that many of Turkey's approximately 75 banks will undergo significant changes – some will grow and/or merge; some will be privatized; and others will close. As such, it will be necessary for banks to adapt to a low inflation environment and concentrate more on corporate and retail loans, in response to the decline in demand for short-term, high-interest rate funds by the Turkish government.

While EDC is prepared to work with several of Turkey's leading banks, it will be necessary to exercise caution, since changes within the banking community will result in inevitable winners and losers. EDC's insights gained through actively working with Turkish banks over the past few years, both through our short-term insurance programs and medium-term lending, should serve Canadian firms well. This experience has included support of sales for agricultural commodities, coal, aircraft, tourist facilities and IMAX theatres.

Opportunities in the private sector

The private sector in Turkey shows great promise as there are several outstanding corporate groups that are involved in such sectors as banking; construction; manufacturing of automobiles and other items; power generation; tourism; retail operations; and trade. Not only are these companies very active in Turkey, but also they are among the most active foreign companies operating in the former Soviet Union.

Examples include Gamas' construction of Gazprom's offices in Russia and Alarko's construction of the airport in Ashegebad, Turkmenistan. Areas of opportunity for Canadian companies include residential, commercial and infrastructure construction, power generation and tourist facilities. Well-known Turkish corporations such as Sabanci, Koc, Alarko and Cukurova all offer opportunities for Canadian companies in Turkey and in third markets. EDC can consider working with the Turkish corporate world either directly or through the leading Turkish banks.

In the past, EDC's activity has focused primarily on sovereign lending. Presently, EDC is open for business in Turkey and anxious to work with the Turkish government, leading banks and leading corporate groups. This represents a fairly recent shift, and is in direct response to the fact that EDC sees significant opportunities opening up in the private sector over the next few years. The timing is right for Canadian companies to take advantage of these opportunities.

Lorne Cutler is one of EDC's Regional Managers for Central and Eastern Europe. He can be reached by e-mail at lcutler@edc-see.ca.

TURKEY AT A GLANCE

Population: 65 million
GDP per capita: US$2,800
GDP growth: -5.0%
Inflation: 65%
Canadian exports: $193.9 million
Canada's market share: 0.3%
Current account balance: US$-1.0 billion

EDC's position
Short-term: Good experience.
Open without restrictions.
Medium/long-term: Good experience. Open.
Political risk insurance: Case-by-case.

Canadian opportunities
Industrial Equipment, Construction and Engineering, Information Technology and Automotive
Capital: Ankara
Language: Turkish
Time difference: EST + 7 hours
Currency: Turkish Lira
Business hours: Monday-Thursday 8:30 a.m.-5:45 p.m.; Friday 8:30 a.m.-1:00 p.m

Who to contact

Canadian Embassy in Turkey
Amir Guindi
Counsellor (Commercial)
Tel.: (011-90-312) 436-1277
Fax: (011-90-312) 446-2811
E-mail: amir.guindi@dfait-maeci.gc.ca

Embassy of Turkey
Commercial Counsellor's Office
Tel.: (613) 789-2090
Fax: (613) 789-2306
E-mail: dtotw@magma.ca

DFAIT
Jean-Louis Robitaille
Desk Officer for Trade
Tel.: (613) 996-4484
Fax: (613) 995-8783
E-mail: jean-louis.robitaille@dfait-maeci.gc.ca
Internet: www.dfait-maeci.gc.ca

CIDA INC
Réjean Hamel
Program Manager
Tel.: (819) 997-2050
Fax: (819) 953-5024
E-mail: rejean_hamel@acdi-cida.gc.ca
Internet: www.acdi-cida.gc.ca

EDC
Contact the EDC regional office nearest you (see listing, inside back cover) or EDC Regional Manager for Turkey, Luc Dupont at (613) 598-2860 or by e-mail at ldupont@edc-see.ca.

Addition **Deletion** **I.D. #**____________________ *(as it appears in upper left corner of your mailing label)*

Name Title

Company Name Telephone

Address *(please include full address)*

Change

From:

Name Title

Company Name Telephone

Address *(please include full address)*

To:

Name Title

Company Name Telephone

Address *(please include full address)*

Help us better understand your needs.

Language preference

- English
- French

You are... (choose one)

- E1 currently exporting
- E2 not exporting
- E3 considering exporting

Export volume (choose one)

- V1 Less than $1 million
- V2 $1 million to $5 million
- V3 More than $5 million
- V4 Not applicable

I would like an EDC account manager to contact me.

MAIL POSTE

Canada Post Corporation
Société canadienne des postes

Postage Paid
if mailed in Canada
Business Reply

Port payé
si posté au Canada
Réponse d'affaires

0184194799 **01**

0184194799-K1A1K3-BR01

EXPORT WISE
EXPORT DEVELOPMENT CORPORATION
151 O'CONNOR ST
OTTAWA ON K1A 1K3

TURKEY: ECONOMIC OVERVIEW

→ Despite the roller coaster ride experienced by the Turkish economy over the past decade, today the future is looking brighter. **by Richard Schuster**

ENJOYING A RAPID RECOVERY from the 1994 contraction, Turkey's output advanced more than seven per cent annually in 1995 through 1997. However, by 1998, high interest rates had begun to take their toll and growth slowed to less than three per cent.

Output was dragged down further in 1999 by weaker growth in the Commonwealth of Independent States and Eastern and Western Europe, and the government came under increasing pressure to inject a little steam. GDP contracted a sharp five per cent in 1999, in part due to the earthquake last August, which shaved an estimated two per cent off of growth. However, a mini building boom associated with earthquake reconstruction will help to get things rolling again this year. Growth of about two to three per cent is expected in 2000, and we anticipate that output will hover around four to five per cent during the first decade of the new millennium.

More than meets the eye

Notwithstanding the slowdown in official figures last year, Turkey maintained a dynamic element not captured in the numbers. Indeed, there is a large component of production and retail and merchandise trade activity that occurs outside of the statistics, in what is called a parallel economy, that has been estimated between 10 and 50 per cent of GDP. In concrete terms, Turkey's economy may be underestimated by anything ranging from US$20 billion to a whopping $100 billion. The rationale for operating outside of the official economy is simple – tax avoidance.

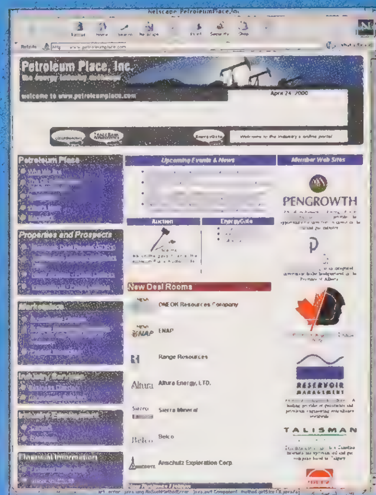
The roller coaster ride is expected to come to an end, but this outlook is conditional on an economic and financial "house cleaning." In late 1999, Turkey secured an International Monetary Fund program. On the macro side, the authorities must reign in rampant inflation, which averaged roughly 80 per cent through the 1990s. The *lira* devaluation policy of past years has been abandoned in favor of a pre-announced crawl that targets inflation (25 per cent at year-end). Eventually the *lira* will be free-floating. Banking activity was also geared toward high-yielding government paper rather than traditional banking functions. A bank supervisory board will be fully operational this year.

Another major hurdle is Turkey's perennial string of massive fiscal deficits. In the past, the authorities turned to the domestic capital markets to finance these shortfalls and this helped drive up the cost of funds, as well as the government's debt. The government's primary budget surplus for 2000 is projected to double to over five per cent of GDP compared to 1999. Provided that the Fund program remains on track, prospects for a more stable and sustainable recovery appear bright.

Richard Schuster is an Economist on EDC's Country Assessment Team. He can be reached at rschuster@edc-see.ca.

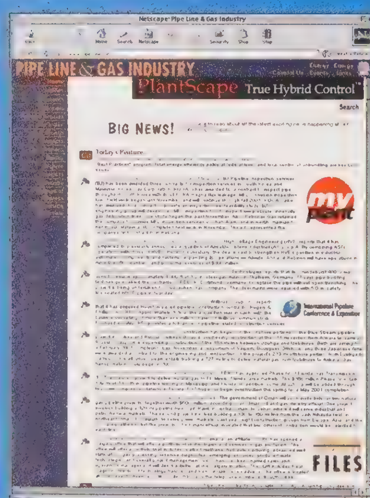
INTER.NET.WORKING

→Inter.net.working is a regular column devoted to Web sites of interest to exporters and investors. This issue's column is dedicated to our feature industry, Oil and Gas. **by Linda Kenny**



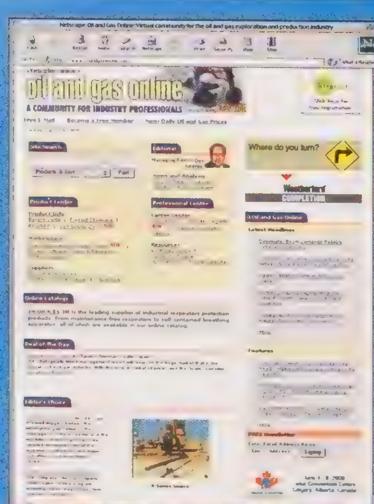
← Petroleum Place, Inc. (www.petroleumplace.com)

Petroleumplace.com is a well-established portal site that offers current content, e-commerce and community services for the worldwide energy industry. The site features EnergyGate, an on-line magazine, as well as a property and prospect exchange for the acquisition and divestiture community. Whether you are a service provider, a seller of used equipment or simply want to source industry professionals, this site's extensive database may have what you're looking for.



← Gulf Publishing Company (www.pipe-line.com)

As a leading publisher to the oil and gas industry, Gulf Publishing has developed a far-reaching on-line magazine focused on the pipeline and gas industry. Readers can remain current in all segments of petroleum operations through a team of professionally accredited editors and journalists. A special advertising section links readers to conferences, books, catalogues, brochures and technical data bulletins.



← Oil and Gas Online (www.oilandgasonline.com)

Oil and Gas Online is a web-based oil and gas community established to offer industry professionals access to real-time information on products, suppliers and careers. The site features a buyer's guide, product reviews, and product quotes. It is a site targeted to both buyers and suppliers. Visitors are invited to become members and take advantage of additional services such as a free company listing, advanced searches and news information.

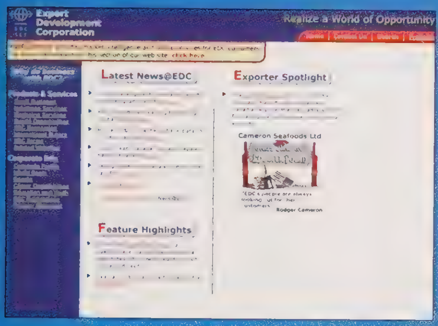
Linda Kenny is one of EDC's in-house Internet specialists. She can be reached at lkenny@edc-see.ca.

VISIT EDC'S NEW WEB SITE

by Julie Harrison

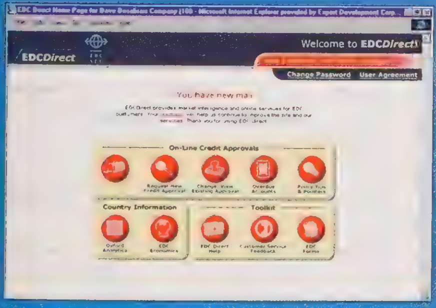
EDC's revamped web site makes finding valuable exporting and investing information a breeze.

We've improved our site's interface, minimized graphics, and substantially reduced loading times. With enhanced functionality and more in-depth content, this site offers more than just a fresh new look. Highlighted below are just a few of the new features found on the Home Page as well as the new customer-only EDC Direct Page.



Home Page

- monthly spotlight on a Canadian company's export business
- latest news at EDC housed in a comprehensive Media Room
- opportunity to access your export risks using EDC's Exporter Risk Profiler
- application forms for EDC's International Studies Scholarships, through Education and Youth link
- improved Search mechanism
- integrated smart Contact form facilitates fast answers to your questions



EDC Direct Page

- up-to-the-minute market intelligence for over 35 countries
- on-line credit approvals
- full library of EDC forms
- ongoing inclusion of new e-business applications

LINES OF CREDIT

EDC offers many forms of export financing to facilitate the purchase of Canadian goods and services by buyers in export markets.

These facilities fall into two broad categories: supplier credit financing and buyer credit financing.

One example of supplier credit financing is a note purchase agreement. Under such an agreement, EDC purchases from an exporter a series of promissory notes issued by a foreign buyer to the exporter upon the sale of goods or services.

Buyer credit financing includes direct loans and lines of credit. Direct loans are a financing arrangement between EDC and a buyer, or a borrower on behalf of a buyer, for a predetermined transaction. Loans usually involve large transactions with long repayment terms.

Lines of credit are a streamlined form of financing in which EDC lends money to a foreign bank, institution or buyer, which then onlends the necessary funds to foreign buyers of Canadian goods and services. Interest rates, repayment terms and other details are prearranged between EDC and the foreign borrower, which speeds up turnaround time. Transactions supported under lines of credit are usually valued at between US$50,000 and US$5 million. EDC currently has 53 lines of credit, providing one form of access to export financing for buyers in some 27 countries.

Listed below are the details and contacts for the lines of credit which exporters have found most useful.

It is important to note that:

→ **EDC's financing and insurance services extend beyond countries in which EDC has established lines of credit.**

→ **These lines of credit are one of several ways in which EDC will do business in these markets.**

→ **If you are thinking about exporting but have never used one of EDC's lines of credit, it is wise to contact EDC as early as possible.**

For more information on how EDC export financing can help you close a deal abroad, contact the regional office nearest you by calling 1-888-332-3777.

Categories: Overseas Area Code = 011 / 1 - Borrower / 2 - Signing amount /3 - Repayment terms / 4 - Buyers' contact with borrower /5 - Borrowers' contact in North America

Lines of Credit

Mexico, Central & South America

Andean Pact – Bolivia, Colombia, Ecuador, Peru and Venezuela

1) **Corporación Andina de Fomento (CAF)**
2) US$70 million
3) 10 years
4) Mr. Fernando Infante
Vice-Pr[illegible] of Finance
[illegible]

[illegible] le (Colombia)
[illegible] 1/2549
[illegible]

Mr. Alfredo Solarte (Ecuador)
Tel.: 593-222-4080
Fax: 593-222-2107
asolarte@caf.com

Mr. Gustavo Fernandez (Peru)
[illegible]

Mr. Carlos Romero (Venezuela)
Public Sector
Tel.: 582-209-2183
Fax: 582-209-2463
cromero@caf.com

Ms. Blanca Alarcón, Private Sector
Tel.: 582-209-2379
Fax: 582-209-2433
balarcon@caf.com

Argentina

1) **Banco Francés**
2) US$10 million
3) 2, 3, 5 or 7 years
4) Mr. Fernando Sola, Regional Manager
North America and Asia Pacific
Tel.: 5411-4346-4326/4000 (ext. 1843)
Fax: 5411-4346-4337

1) **Pan American Energy (Argentina Branch)**
2) US$50 million
3) 3 to 8.5 years
4) Mr. Juan Carlos Scaglia
Tel.: 5411-4310-4337
Fax: 5411-4310-4367
jscaglia@pan-energy.com

1) **Telecom Argentina STET-France Telecom S.A.**
2) US$77.7 million
3) 3 to 8.5 years
4) Mr. Tomás Silveyra, Manager
Financial Operations
tsilveyr@ta.telecom.com.ar
Ms. Carolina Campos, Financial Operations
Tel.: 5411-4968-3500/3532
Fax: 5411-4312-9472
ccampo1@ta.telecom.com.ca

1) **Telefónica de Argentina S.A.**
2) US$52.5 million
3) 3 to 8.5 years
4) Mr. Juán López Basilvaso
Director of Finance
Ms. Antonieta Martino/
Mr. Raul H. Rolandi, Finance
Tel.: 5411-4325-0190
Fax: 5411-4325-1920
rolandir@telefonica.com.ar

1) **Total Austral S.A.**
2) US$50 million
3) 2 to 8.5 years
4) Mr. Alain Petitjean, Financial Controller
Tel.: 5411-4346-6621
Fax: 5411-4346-6697
alain.petitjean@total.com
5) Mr. Carlos A. Coccioli, Treasurer
Tel.: 5411-4346-6623
Fax: 5411-4346-6697
carlos.coccioli@total.com

1) **Transportadora de Gas del Norte S.A.**
2) US$5 million
3) 2 to 5 years
4) Mr. Orlando Paolini
Tel.: 5411-4959-2167
Ms. Dora Zapolski
Tel.: 5411-4959-2002
Fax: 5411-4959-2110

1) **YPF, S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Enrique Waterhouse/
Ms. Dora E. Acosta Vásquez
Tel.: 5411-4329-5685
Fax: 5411-4329-5838
ewaterho@email.ypf.com.ar

Argentina, Brazil, Colombia and Uruguay

1) **BankBoston**
2) US$25 million
3) 2 to 8 years
4) Mr. Julio Laffaye, Trade Finance Manager
International Services (Argentina)
Tel.: 5411-4346-2112
Fax: 5411-4346-3209/343-7303

Mr. Sergio Schirato (São Paulo)
Tel.: 5-511-3881-6415
Fax: 5-511-3881-6430

Mr. Miguel de Pombo (Bogotá)
Tel.: 571-313-2255/3455
Fax: 571-313-3536

Mr. José Baniela (Montevideo)
Tel.: 598-296-0127
Fax: 598-296-2209

5) Mr. David Ames, Assistant Vice-President
International Corporate Finance
Tel.: 617-434-5178
Fax: 617-434-1188

Brazil

1) **Banco do Brasil**
2) US$25 million
3) up to 5 years
4) Mrs. Rosana Porto Feirosa
Tel.: 55-11-3066-9021
Fax: 55-11-3066-9029

1) **Petrobrás**
2) US$15 million
3) up to 5 years
4) Mr. Hernani Fortuna
Head, Investment Finance
Tel.: 5-521-534-1450
Fax: 5-521-534-4278

1) **Unibanco – União de Bancos Brasileiros**
2) US$15 million
3) 2, 3, 4 or 5 years
4) Ms. Silvia Nucci
Manager International Relations/
Ms. Patricia Urbano
Manager, Corresponding Banking
Tel.: 5-511-867-1684/4321/1900
Fax: 5-511-815-4484/814-0528/867-1689
5) Mr. Durval Araujo (New York)
Tel.: 212-207-9426
Fax: 212-754-4872

Mr. Marcos Pereira (Miami)
Tel.: 305-372-0100
Fax: 305-350-5622

Chile

1) **Codelco**
2) US$70 million
3) 5 years
4) Mr. José Antonio Alvarez
Vice President Finance
Tel.: 562-690-3648
Fax: 562-690-3669

Colombia

1) **Banco Cafetero**
2) US$10 million
3) up to 8.5 years
4) Mr. Luis Hernando Manrique
Head Special Lines Department
Tel.: 571-341-1511 (ext. 3700)
Fax: 571-284-2097/286-8893

1) **Cementos del Caribe**
2) US$5 million
3) up to 5 years
4) Mr. Ernesto Ritzel, Treasurer
Tel.: 575-355-6069
Fax: 575-355-9829
eritzel@caribe.com.co

Honduras, Costa Rica, El Salvador, Guatemala and Nicaragua

1) **Central American Bank for Economic Integration (CABEI)***
2) US$20 million
3) 5 years
4) Mr. Jorge Kawas (jkawas@bcie.hn)
Mr. Eduardo Membreño
(Tegucigalpa, Honduras, Headquarters)
Tel.: 504-228-2208/2209
Fax: 504-228-2135
emembren@bcie.hn

Lic. Ronald Martínez Saborío
Mr. Dennis Sánchez Acuña (Costa Rica)
Tel.: 506-253-9394
Fax: 506-253-2161
dsanchez@bcie.org

Ing. Francisco José Ramírez Cuadra (El Salvador)
Tel.: 503-260-2244/2245
Fax: 503-260-3276
framirez@bciesv.bcie.hn

Lic. Jorge Mario Diaz Rosal (Guatemala)
Tel.: 502-334-1744/332-2722
Fax: 502-331-1457
jmdiaz@bciegt.bcie.hn

Ing. Roger Arteaga Cano (Nicaragua)
Tel.: 505-266-4120 to 4123
Fax: 505-266-4143/4125
mbuitrag@bcie.org

* CABEI is closed to new projects in the public sector/Government of Nicaragua.

Mexico

1) **Banca Serfin, S.A.**
2) US$20 million
3) 5 years
4) Mr. José Carrassó Arnaiz
Vice-President, International Division
Tel.: 525-512-1009
Fax: 525-625-5613
5) Mrs. Paloma Healey
Tel.: 416-360-8900
Fax: 416-360-1760

1) **Bancomer, S.A.**
2) US$75 million
3) 5 to 8 years
4) Ms. Cecilia Sáenz y Sáenz
Vice-President, Import Financing
Tel.: 525-621-3861/3491
Fax: 525-621-4758

1) **Banco Nacional de Comercio Exterior, S.N.C. (Bancomext)**
2) US$125 million
3) 5 to 8 years
4) Ms. Rosa María Solís, Vice-President International Banking, North America
Tel.: 525-481-6051
Fax: 525-481-6076/6077
5) Mr. Marco Espinosa
Trade Commissioner of Mexico (Toronto)
Tel.: 416-867-9292
Fax: 416-867-1847

1) **Banco Nacional de México, S.A. (Banamex)**
2) US$125 million
3) 5 to 10 years
4) Ms. Mariana Lerdo de Tejeda Sánchez
Comercio Exterior
Tel.: 525-720-7077
Fax: 525-720-7315
5) Mr. Joseph Clarke (New York Office)
Tel.: 212-303-1431
Fax: 212-303-1470
jclarke@banamex.com

1) **Banco Nacional de Obras y Servicios Públicos, S.N.C. (Banobras)**
2) US$20 million
3) 5 to 8 years
4) Lic. Abelardo Bravo Herrera, Gerente Operaciones Bancarias Internacionales
Tel.: 525-723-6000
Fax: 525-723-6235

1) **Comisión Federal de Electricidad (CFE)**
2) US$50 million
3) 5 to 8 years
4) Mr. Ramón Benitez Galarza
Head, Credit Operations Department
Tel.: 525-705-0571/229-4502
Fax: 525-229-4703
rbg84069@cfe.gob.mx

1) **Grupo Minero México, S.A. de C.V.**
2) US$75 million
3) 5 years
4) Ing. Genaro Guerrero Díaz
Tel.: 525-564-7066
Fax: 525-574-8056

1) **Hylsa, S.A. de C.V.**
2) US$20 million
3) 5 years
4) Mr. Manuel Moguel, Treasury
Tel.: 528-328-1220
Fax: 528-328-1885
mmoguel@hylsamex.com.mx

1) **Nacional Financiera, S.N.C. (Nafin)**
2) US$28 million
3) 5 to 8 years
4) Mr. Jorge Muñoz Cuevas
Manager Bilateral Financing
Tel.: 525-325-7022/7023
Fax: 525-325-6496

1) **Petroleos Mexicanos (Pemex)**
2) US$50 million
3) 3 to 10 years
4) Ing. Eduardo Ito
Deputy Manager, Trade Finance
Tel.: 525-250-6478
Fax: 525-254-1896
jenito@dcf.pemex.com
5) Mr. Alberto Hinojos, Vice President Finance and Administration
Tel.: 713-430-3110
Fax: 713-430-3312
ahinojos@itsinc.com

1) **Teléfonos de México, S.A. de C.V. (Telmex)**
2) US$100 million
3) 3 to 7 years
4) Mr. Gustavo León Méndez, Treasury
Tel.: 525-222-1153/1154
Fax: 525-203-5972
glmendez@telmex.net

Peru

1) **Banco Wiese Ltdo.**
2) US$15 million
3) 2 to 5 years
4) Mr. Eduardo Lizarzaburu Cuba
Financing Intermediation Division
Tel.: 511-428-6000
Fax: 511-426-9414
elizarzaburu@wiese.com.pa
Mr. Javier Román
Tel.: 511-426-6231
Fax: 511-428-3163
jroman@wiese.com.pa

Trinidad & Tobago

1) **Central Bank of Trinidad & Tobago**
2) US$15 million
3) up to 8.5 years
4) Ms. Cara Mae Farmer
Manager, Banking Operations
Tel.: 868-625-4835/623-4715
Fax: 868-625-2468
cfarmer@central_bank.org.tt

Venezuela

1) **BARIVEN, S.A./Petróleos de Venezuela, S.A. (PDVSA)**
2) US$50 million
3) 2 to 8.5 years
4) Jesús Bello, Finance
Tel.: 582-201-4761
Fax: 582-201-4605
5) Mr. Philip Limon, Trade Financial Analyst
PDVSA Services, Inc. (Houston, Texas)
Tel.: 281-588-6406
Fax: 281-588-6287
lemonp@pdvsa.com
fnt1h@psi pdv com

Africa & Middle East

Algeria

1) **Banque Algérienne de Développement (BAD)**
2) US$100 million
3) 3 or 5 years
4) Mr. Saddek Alilat, Director
Tel.: 213-2-677-583/4/5
Fax: 213-2-674-241

1) **Sonatrach**
2) US$70 million
3) 3 or 5 years
4) Mr. K. Benaoude
Tel.: 213-2-69-3308
Fax: 213-2-60-5322

Egypt

1) **United Bank of Egypt**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Atef Eldib, Executive Manager
Credit and Marketing Department
Tel.: 011-202-594-0146
Fax: 011-202-594-0153

Israel

1) **Bank Hapoalim B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Yona Rosenberg
Foreign Trade Department
Tel.: 972-3-567-3424
Fax: 972-3-567-4548

1) **Bank Leumi Le-Israel B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Liorah Tidhar, First Vice-President
Trade & Project Finance
Tel.: 972-3-514-7373
Fax: 972-3-514-7865

1) **United Mizrahi Bank Limited**
2) US$10 million
3) 3, 5 or 7 years
4) Mr. Chana Chefer, Foreign Trade Department
Tel.: 972-3-567-9011
Fax: 972-3-567-9028

Lebanon

1) **Byblos Bank SAL**
2) US$10 million
3) up to 8.5 years
4) Mr. Laurent J. Hawath
Tel.: 961-335-200
Fax: 961-338-430
byblosbk@byblosbank.com.lb

1) **Credit Libanais SAL**
2) US$10 million
3) 3 to 8.5 years
4) Mr. George Khouri
Tel.: 961-158-2390
Fax: 961-160-2615

South Africa

1) **First National Bank of Southern Africa Limited/Rand Merchant Bank**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Willie Coetzee
International Project Finance
Tel.: 2711-282-8369
Fax: 2711-282-8318
willie-coetzee@rmb.co.za

1) **Industrial Development Corporation of South Africa/Impofin (Pty) Limited**
2) US$15 million
3) 3 to 8.5 years
4) Mr. Leon Potgieter, Deputy General Manager, Industrial Development Corporation of South Africa Ltd.
Tel.: 2711-269-3266
Fax: 2711-269-3121
leonp@idc.co.za

1) **Nedcor Bank Ltd.**
2) US$10 million
3) 3 to 8.5 years
4) Mr. David N. Fienberg, Head International Finance Unit
Tel.: 2711-630-7444
Fax: 2711-630-7146

1) **The Standard Bank of South Africa Limited**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Gerald Nolan
Senior Manager, International Finance
Tel.: 2711-636-5062
Fax: 2711-636-3181
nolang@scmb.za

Tunisia

1) **Ministry of International Cooperation and Foreign Investment**
2) US equivalent of Cdn$100 million
3) up to 10 years
4) Mr. Abdelhamid Bouhawala
Tel.: 216-1-798-522
Fax: 216-1-799-069
bo@mci.gov.tn

West Bank and Gaza Strip

1) **Egyptian Arab Land Bank**
2) US$3 million
3) up to 5 years
4) Mr. Fouad Jabr, General Manager
Tel.: 972-2-298-5958
Fax: 972-2-298-5958

Europe

Estonia

1) **Hansa Leasing**
2) US$4 million
3) 5 years
4) Mr. Raul Rukis, Manager, Funding and Foreign Relations Department
Tel.: 372-6-131-805
Fax: 372-6-131-379
raul.rukis@hansa.ee

Turkey

1) **Turk EximBank**
2) US$50 million
3) 3 to 7 years
4) Mr. Ertan Tanriyakul
Assistant General Manager
Tel.: 90-312-425-6504
Fax: 90-312-425-2947
ogunduz@eximbank.gov.tr

Ukraine

1) **State Export Import Bank of Ukraine**
2) Cdn$20 million
3) 3 to 10 years
4) Ms. Tetyana M. Kutuzova
Head of Department
Tel.: 380-44-247-8925/26
Fax: 380-44-247-8928/8082
Telex: 131258 RICA

Asia & Pacific

China, People's Republic of

1) **Bank of China**
2) US$200 million or its equivalent in Cdn. or other acceptable foreign currencies
3) up to 10 years
4) Ms. Liu Huijun, Treasury Department
Tel.: 86-10-6601-6688 ext. 4104
Fax: 86-10-6601-4037

1) **Bank of Communications**
2) US$25 million
3) up to 10 years
4) Ms. Liu Ganghua, Credit Department
Tel.: 86-21-6275-1234 ext. 2343
Fax: 86-21-6275-1363

1) **China Construction Bank** (previously People's Construction Bank of China)
2) US$100 million
3) up to 10 years
4) Mr. Yu Hui, Project Manager
Project Finance Division
Tel.: 86-10-6759-8555
Fax: 86-10-6759-8549

1) **Industrial and Commercial** Bank of China
2) US$25 million
3) up to 10 years
4) Ms. Qin Lei, International Finance Division, International Department
Tel.: 86-10-6610-6022
Fax: 86-10-6610-6038

Indonesia

1) **P.T. Indah Kiat Pulp & Paper Corp.**
2) US$25 million
3) 3 to 10 years
4) Mr. Paulus Lucas
Assistant Manager, Finance
Tel.: 62-21-392-9266
Fax: 62-21-392-6179
paulus_lg@app.co.id

1) **P.T. Pabrik Kertas Tjiwi Kimia**
2) US$10 million
3) 3 to 10 years
4) Mr. Paulus Lucas
Assistant Manager, Finance
Tel.: 62-21-392-9266
Fax: 62-21-392-6179
paulus_lg@app.co.id

1) **P.T. Lontar Papyrus Pulp & Paper Industry**
2) US$20 million
3) 3 to 10 years
4) Mr. Paulus Lucas
Assistant Manager, Finance
Tel.: 62-21-392-9266
Fax: 62-21-392-6179
paulus_lg@app.co.id

Sri Lanka

1) **Private Sector Infrastructure Development Company Limited**
2) US$25 million
3) up to 10 years
4) Mr. Leel Wicremarachchi
General Manager/CEO
Tel.: 941-346-385
Fax: 941-346-383
leel@psidc.com

EXPORTS AND IMPORTS GO HAND-IN-HAND

→ If Canada's imports are almost equal to its exports, is our economy any further ahead? **by Stephen S. Poloz**

Canada has always been a trading nation, but nowadays trade is the lifeblood of the Canadian economy. In 1999, Canada exported over $400 billion in goods and services. That represents about 43 per cent of our total GDP of nearly $950 billion. Of total exports, about $350 billion was goods, and the remainder was services, such as travel or business and professional services.

Canada imports almost as much as it exports. It would be fair to ask, then, whether it is all worth the effort. If there is practically as much coming in as going out, are we any further ahead? The answer is, emphatically, *yes.*

To see why, consider the fact that an exported automobile built in Canada contains many parts that are produced in the United States and Mexico, and imported here prior to assembly. Statistics Canada estimates that the Canadian content of that car is around 35 per cent – that is, only about 35 per cent of the value of that car is actually produced here in Canada and contributes to Canada's GDP. In contrast, a sale of Canadian hospitality services to a foreigner – say, someone from Japan visits Lake Louise – has a very high Canadian content, in excess of 80 per cent. This is because most of the hotel staff would be Canadian workers, and foreign content might be limited to such things as French wines consumed in the dining room from Austrian crystal glasses.

It turns out that the average Canadian content for our export sales is around 65 per cent. Our GDP is the sum of all this Canadian content, with any imported content netted out. This means that export sales of $400 billion last year contributed about $260 billion to Canada's GDP.

The contribution of exports to Canadian prosperity is rising steadily over time, but exports and imports are rising together much more quickly than the net. This is because Canadian companies are specializing their activities more than ever before. Trade liberalization, such as the FTAA and the NAFTA are permitting this. A Canadian company that previously produced all the parts that go into its final product now finds that some of those parts can be purchased from foreign companies at a lower cost than what it costs to make them here. It is freer trade – the reduction of tariffs and other barriers – that permits the Canadian company to exploit this cost difference.

For the export sector as a whole, domestic content of sales has fallen from about 70 per cent in 1986 to 65 per cent in 1996 (the latest available). Undoubtedly, this trend has continued. The big increases in specialization have been in sectors like industrial machinery (where Canadian content has fallen from more than 64 per cent to 47 per cent), and in electrical products and electronics (71 per cent to 53 per cent). In contrast, business service exports (such as engineering consulting services) continue to have high Canadian content, at more than 86 per cent.

A key benefit of this specialization process is that companies become more productive and more competitive internationally. This is one reason why Canadian companies that export have a much higher level of worker productivity than the Canadian economy as a whole. Exploiting this specialization process permits the company to grow its market and its operations, thereby achieving even greater economies of scale. In short, companies import more so that they can profitably export more.

Erecting new barriers to international trade would reverse this prosperity-enhancing process. It is easy to forget that this was how the global economic downturn in 1930 became the Great Depression. We should all be free-trade advocates – *now.*

Stephen Poloz is EDC's Chief Economist. He can be reached at spoloz@edc-see.ca.

CONTACTS

EDC SEE

Head Office
151 O'Connor
Ottawa, Canada
K1A 1K3

Tel.: (613) 598-2500
Fax: (613) 237-2690

www.edc.ca

Smaller exporters — companies with annual export sales of up to $1 million — can contact our team of specialists at **1-800-850-9626**

If your export sales exceed $1 million annually, call any one of EDC's regional offices at **1-888-332-3777**

Western Canada

Jim Christie
Regional Vice-President
jchristie@edc-see.ca

Vancouver Office
Suite 1030
505 Burrard Street
Vancouver, British Columbia
V7X 1M5
Tel.: (604) 666-6234
Fax: (604) 666-7550
Blair Wilson
Business Development Manager
bwilson@edc-see.ca

Winnipeg Office
Commodity Exchange Tower
Suite 2075
360 Main Street
Winnipeg, Manitoba
R3C 3Z3
Tel.: (204) 983-5114
Fax: (204) 984-0163
Lewis Megaw
Business Development Manager
lmegaw@edc-see.ca

Calgary Office
Home Oil Tower
Suite 606
324-8th Avenue S.W.
Calgary, Alberta
T2P 2Z2
Tel.: (403) 292-6898
Fax: (403) 292-6902
Bruce Stanton
Business Development Manager
bstanton@edc-see.ca

Edmonton Office
Suite 905
10010-106th Street
Edmonton, Alberta
T5J 3L8
Tel.: (780) 495-2286
Fax: (780) 495-2346
Karen Goss
Business Development Manager
kgoss@edc-see.ca

Ontario

Ruth Fothergill
Regional Vice-President
rfothergill@edc-see.ca

Toronto Office
Suite 810
150 York Street
P.O. Box 810
Toronto, Ontario
M5H 3S5
Tel.: (416) 973-6211
Fax: (416) 862-1267
Laura Gainer
Business Development Manager
lgainer@edc-see.ca
David Little
Business Development Manager
dlittle@edc-see.ca

Ottawa Office
151 O'Connor Street
Ottawa, Ontario
K1A 1K3
Tel.: (613) 598-3152
Fax: (613) 598-6858
Hal Miller
Business Development Manager
hmiller@edc-see.ca

London Office
Suite 1512
148 Fullarton Street
London, Ontario
N6A 5P3
Tel.: (519) 645-5828
Fax: (519) 645-5580
Lillian Gagnon
Business Development Manager
lgagnon@edc-see.ca

Quebec & Atlantic Canada

Henri Souquières
Regional Vice-President
hsouquieres@edc-see.ca

Montreal Office
Suite 4520
800 Victoria Square
P.O. Box 124
Tour de la Bourse
Montreal, Quebec H4Z 1C3
Tel.: (514) 283-3013
Fax: (514) 878-9891
Harold Riley
Business Development Manager
hriley@edc-see.ca

Halifax Office
Purdy's Wharf Tower II
Suite 1410
1969 Upper Water Street
Halifax, Nova Scotia B3J 3R7
Tel.: (902) 429-0426
Fax: (902) 423-0881
David Surrette
Director of Business Development, Atlantic Canada
dsurrette@edc-see.ca

Moncton Office
International Trade Centre
1045 Main Street
4th Floor, Unit 103
Moncton, New Brunswick
E1C 1H1
Tel.: (506) 851-6066
Fax: (506) 851-6406
Charles Gaudet
Business Development Manager
cgaudet@edc-see.ca

St. John's Office
90 O'Leary Avenue
St. John's, Newfoundland
A1B 2C7
Tel.: (709) 772-8808
Fax: (709) 772-8693
Darrell Spurrell
Business Development Manager
dspurrell@edc-see.ca

Other organizations that help exporters

Alberta Opportunity Company
1-800-661-3811
www.aoc.gov.ab.ca

Alliance of Manufacturers and Exporters Canada
(613) 238-8888
(416) 798-8000
www.the-alliance.org

Atlantic Canada Opportunities Agency
1-800-561-7862
www.acoa.ca

BC Trade and Investment Office
Tel: (604)-844-1900
www.ei.gov.bc.ca

Business Development Bank of Canada
1-888-463-6232
www.bdc.ca

Canada-B.C. Business Service
1-800-667-2272
www.sb.gov.bc.ca

Canadian Commercial Corporation
1-800-748-8191
www.ccc.ca

Manitoba Trade & Investment Corp.
(204) 945-2466
www.gov.mb.ca

NorthStar Trade Finance
1-800-663-9288
www.northstar.ca

Ontario Exports Inc.
1-877-46TRADE (8-7233)
www.ontario-canada.com/export

Saskatchewan Trade & Export Partnership
(306) 787-9210
www.sasktrade.sk.ca

The Business Link
1-800-272-9675
www.cbsc.org/alberta

Trade Team Canada — Export Info
1-888-811-1119
www.exportsource.gc.ca

Western Economic Diversification
1-888-338-9378
www.wd.gc.ca

MAKE YOUR VOICE HEARD

EXPORTWISE

ober 2000

Published by Export Development Corporation

President, TMH

ALSO

→ INDIA
WIDE OPEN
FOR BUSINESS

With its economic house in order, India offers rich ground for investors and suppliers

→ ECONOMYWISE

Comparing Canada's economy to the U.S. economy is like comparing apples to oranges

ANADA'S
ANSPORTATION INDUSTRY:
GO GLOBAL
R GO BUST

To keep up the global pace, OEMs in Canada's transportation industry are outsourcing production and service needs, in turn creating lucrative opportunities for suppliers like TMH

LP Hi-Tech tackles global utilities market

How EDC pays dividends to Canadians

CONTENTS

FALL/OCTOBER 2000

INDUSTRY FEATURE

12 CANADA'S TRANSPORTATION INDUSTRY: GO GLOBAL OR GO BUST

For Canadian OEMs and suppliers to the transportation industry, exporting has become mandatory to survival.

16 EDC pulls Mexican buyers into Canada

GEOGRAPHIC FEATURE

22 INDIA WIDE OPEN FOR BUSINESS

Far-reaching and sweeping economic reforms have transformed India into a favourite destination for foreign investment and supply.

24 India: economic overview
27 Canadian capabilities link into India rail opportunities
27 India at a glance
28 Travel & trade tips: India, Carnet, Incoterms

1 FROM EDC'S PRESIDENT
How EDC pays dividends to Canadians

2 GUEST COLUMN
Make your voice heard – Speak out on foreign investment barriers

3 INSIDE TRACK

3 EDC forms strategic alliance with London Guarantee | **4** Asia Pacific Summit | **4** EDC develops Information Disclosure Framework | **5** Legislative Review wraps up | **5** Cameron Seafoods benefits from EDC opportunities | **6** Packaging industry in Mexico | **6** New financing facility for SMEs | **6** Invaluable export and investment tool | **7** Team Canada 2000: Beijing – Shanghai – Hong Kong, November 17-26 | **7** AIESEC names EDC "Canada Partner of the Year" | **8** EDC appointments | **8** Claims paid

9 CASE STUDY
GLP Hi-Tech: Insulator company is far from insular

10 INTER.NET.WORKING
Highlighting key Web sites related to main features in this issue: the transportation industry and India.

29 EDC TOOLKIT

30 LINES OF CREDIT

32 ECONOMYWISE
Canada's productivity paradox

33 EDC CONTACT LIST

HOW EDC PAYS DIVIDENDS TO CANADIANS

For a country big in resources and brainpower – but tiny in population – exports and foreign investment are crucial to our enduring prosperity and, indeed, to our future survival.

Our major challenge internationally stems from being a small presence in a hugely competitive marketplace. Canadian companies, even the biggest, are not large compared to their international rivals. Every day, these businesses have to deliver on price, service, quality and – increasingly – speed to succeed in today's global marketplace that knows no barriers and offers little protection.

EDC's raison d'être

Early on, the Canadian government recognized that it had to establish a financial institution to shoulder foreign credit risk so that Canadian companies could sell abroad with more clout and confidence.

Thus, EDC was born in 1944 to help Canada grow and prosper as a nation. In official terms, our mandate is to "support and develop, directly or indirectly, Canada's export trade and Canada's capacity to engage in that trade and to respond to international business opportunities." As trade barriers shrink and the information superhighway expands, this mandate has become more relevant than ever.

EDC's 800-plus employees represent the most sophisticated and experienced trade finance skills in this country, and among the very best in the world. Collectively, this talent is a precious asset and a "renewable resource" that every globally oriented Canadian business can draw upon for financial solutions to realize its export opportunities.

In practical terms, we provide the financial services – lending and insurance – every Canadian company, big or small, needs to expand its business abroad and reduce the risks of exporting.

Your investment

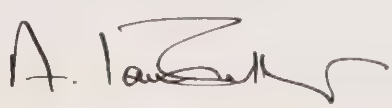
You, the Canadian taxpayer, have made an overall investment in EDC, over a fifty-six year period, of approximately $1 billion. For this investment, EDC has so far helped pump back into the Canadian economy $300 billion worth of exports and foreign investment, representing billions of dollars in wages and taxable revenues.

What's more, this investment has cumulatively grown by $800 million, through our retained net income, and is still growing … helping more and more Canadian companies win business in some 200 world markets.

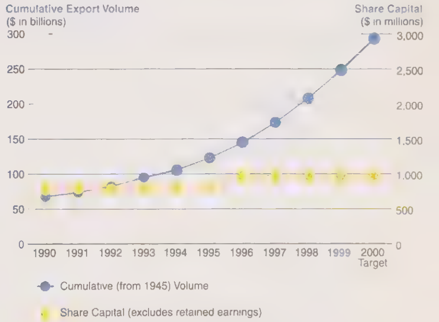
AS THIS ISSUE'S FEATURE ON CANADA'S TRANSPORTATION INDUSTRY MAKES ABUNDANTLY CLEAR, GLOBAL TRADE IS CANADA'S LIFEBLOOD.

So, what are you – the shareholder – really getting for your investment in EDC? The answer is "profits" and "dividends". The profits come from our managing the business of EDC prudently and responsibly. The dividends come from an ever-increasing number of globally competitive Canadian companies that are growing, investing and creating the opportunities to help safeguard our present and future prosperity. This prosperity is fundamental to protecting our social programs and Canadian values.

EDC is a valuable asset for Canadian businesses and for all taxpayers.



A. Ian Gillespie
President and Chief Executive Officer
EDC



MAKE YOUR VOICE HEARD – SPEAK OUT ON FOREIGN INVESTMENT BARRIERS

by Nancy Hughes Anthony

It is increasingly acknowledged that international investment markets are critical for both the success of the Canadian economy and for individual Canadian companies operating, or aspiring to operate, on a truly global basis. Global investment has become an essential element of company strategies to access new markets, especially high-growth markets that often demand a physical presence.

And yet, the road to foreign investment is frequently impeded by a number of barriers. How many businesses have given up in frustration, to the detriment of both the company and the potential host country?

The Canadian Chamber of Commerce, Canada's largest and most representative business voice – speaking for 170,000 members nationwide – is a vocal proponent of stronger international investment frameworks that promote a more open, secure and predictable investment environment for Canadian companies.

Identifying restrictions

This year, the Chamber released a first-of-its-kind report, Foreign Investment Barriers (available on-line at www.chamber.ca). Partnering with Industry Canada, the report's findings were based on a business survey of Chamber corporate members conducted in 1999. Results are intended to provide Canadian government trade negotiators with critical intelligence on areas where Canadian companies face restrictions. Respondents with foreign investment activities came from virtually all industry sectors and over 55 per cent of respondents were small- or medium-sized enterprises. Key findings from this report include:

- Over 110 specific investment restrictions were identified by respondents;
- 29 per cent of the restrictions identified were in OECD countries;
- 37 per cent of the specific barriers resulted in the investment intention being cancelled or suspended; and
- billions of investment opportunities have been lost as a result of investment barriers.

A UNIFIED EFFORT WILL HELP DISMANTLE IMPEDIMENTS.

Despite the barriers, Canada has a growing base of companies actively investing and expanding on a global basis, to the point where outward investment by Canadian companies exceeds incoming investment. Dealing with barriers is, therefore, essential.

But business people need to speak out when they find their way blocked. Unless we raise awareness of the barriers being faced, the situation will remain status quo.

The Canadian Chamber of Commerce is committed to working with its members and partners in increasing barrier awareness.

It is through a well-informed and unified effort that business will help dismantle impediments and pave the way to a healthy global economy for all Canadians.

Nancy Hughes Anthony is President and CEO of the Canadian Chamber of Commerce. She can be reached by e-mail at nhughesanthony@chamber.ca. For more information on the Foreign Investment Barriers report, please contact David Hecnar at dhecnar@chamber.ca.

INSIDETRACK
EDC news and events

EDC forms strategic alliance with London Guarantee

by Shawn Dalrymple

EDC and London Guarantee Insurance Company have entered into an alliance to deliver both export (EDC) and domestic (London Guarantee) accounts receivable insurance to Canadian companies under one joint policy, with one point of contact for the policyholder.

In today's competitive business world, alliances have become an integral aspect of strategic product delivery. Whether it is two small manufacturers joining forces to build a better product, or two prominent Canadian insurance providers teaming to better their capacity as well as that of the Canadian marketplace, one fact remains – alliances are a smart and necessary practice. That is why EDC and London Guarantee joined forces last March. According to John Hutchison, EDC Vice-President, S.M.E. Services, "One of the most important criteria we looked for in creating an alliance was a similar philosophy with regards to providing high-level customer service and timely claims payment. We wanted a financially strong, Canadian company that was not too large. London Guarantee was the best fit for our customers."

continued on page 4...

The strategic alliance between EDC and London Guarantee boasts some familiar and new benefits for current and potential customers alike. Here is a quick rundown of the highlights:

→ *One-stop-shopping.* EDC will continue to provide one-stop-shopping for credit insurance. EDC will be the sole issuer of the policy, which will see London Guarantee provide the domestic coverage and EDC the export coverage. All administration is done through one source – EDC.

→ *No obligations.* Organizations that do not wish to purchase their domestic cover from London Guarantee are under no obligation to do so. Similarly, if they want to buy domestic cover from London Guarantee and export cover from a party other than EDC, they are at liberty to do so.

→ *Consistent coverage.* The risk protection is identical for export and domestic cover.

→ *No restrictions.* Prior to the alliance, EDC could only deliver domestic cover to companies defined as exporters under regulations attached to the Export Development Act. Now, as London Guarantee is not restricted in this way, both domestic and export cover are available to all Canadian businesses.

Several other private sector alliances have also been successfully negotiated, furthering EDC's efforts to create additional trade finance capacity for Canadian exporters and investors. These include agreements with NorthStar Trade Finance; i-Trade Finance, Inc; and the ExportEase program with Accord Business Credit. News releases on each of these agreements are available on our Web site: www.edc.ca

"The benefits for current and potential customers – be they large or small – are many," notes Hutchison. "When Canadian exporters seek out credit insurance from EDC, they want to have the potential for covering credit risks in any market at their disposal." EDC will act as a gateway, allowing customers access to both export and domestic insurance through one source. While the vast majority of companies have an awareness of export risks, sometimes the very real domestic risks of non-payment are forgotten. This alliance, then, makes available to Canadian companies a truly comprehensive risk management strategy.

Asia Pacific Summit

by Robert Simmons

Asian countries are in sharp recovery but the economic and political landscape has seen some major changes. Are Canadian companies positioned to compete in the "New Asia"?

EDC is proud to sponsor and participate in the Asia Pacific Summit, an executive symposium that will be staged by the Asia Pacific Foundation of Canada in Vancouver on October 18-19.

The executive-level Summit will focus on the theme "Positioning Canada in the New Asia". It will bring together leading Asian experts and Canadian business and government decision makers to consider over-the-horizon issues facing post-crisis Asia and what they will mean for Canada.

Distinguished speakers include the Honourable Lloyd Axworthy, Minister of Foreign Affairs; the Honourable Raymond Chan, Secretary of State, Asia Pacific; Mr. Eisuke Sakakibara, former Vice Minister of Finance, Japan; and Dr Noordin Sopiee, Director General, Institute of Strategic and International Studies, Malaysia.

A key element of the Summit will be four sessions that develop medium-term political and economic scenarios. EDC's Chief Economist Stephen Poloz and three other world-class scenario planners, will lead participants in a highly interactive series of risk analysis and scenario-building workshops on China, Japan, Korea and India.

For further information about the Summit, please contact Paul Irwin at (604) 684-5986, or visit this Web site: www.asiapacific.ca/apsummit/application/index.cfm

Asia PACIFIC Summit 2000

Asia Pacific Foundation of Canada
Fondation Asie Pacifique du Canada

EDC develops Information Disclosure Framework

by Rod Giles

How much information should EDC disclose about the transactions it supports?

That was one of the questions posed to exporters, environmental and human rights groups, trade associations and other EDC stakeholders earlier this summer during focus groups and public consultation hearings held in six cities.

Environics Research Group was hired by EDC to manage a qualitative public consultation and research process to help EDC develop the appropriate public disclosure practices that should apply to EDC as a commercial Crown corporation and competitive export credit agency.

In addition to the public hearings, stakeholders also had an opportunity to make submissions by e-mail and a virtual working group was organized by Environics to gain further insight into some of the key issues.

EDC EXPECTS THAT A NEW DISCLOSURE POLICY WILL BE IN PLACE BY JANUARY 2001.

The primary focus of the consultation and research process included:

- Current state of disclosure practices affecting publicly-traded corporations,

commercial Crown corporations, export credit agencies and financial institutions.

- → Opportunities and challenges associated with EDC's commitment to move towards a more open disclosure regime.
- → The impact of more open disclosure practices on EDC, its clients and other stakeholders.
- → Input regarding the optimal balance between public information, and corporate and client confidentiality.
- → Obtaining ideas, recommendations and feedback on an appropriate disclosure regime for EDC.
- → Distinctions, if any, between EDC's Corporate and Canada Accounts disclosure practices.

Environics is expected to submit its report in late September and a copy of the report will be made available on EDC's Web site.

EDC will use the findings of the report to develop a draft policy for public comment and will then submit a final policy to its Board of Directors for approval. EDC expects that a new disclosure policy will be in place by January 2001.

Further information about the status of the project can be obtained by contacting Alison Lawford, EDC Government Relations (613) 598-2885 or by e-mail at alawford@edc-see.ca.

Legislative Review wraps up

by Julie Harrison

After an intensive 18-month review, EDC is gratified to receive a strong endorsement of its performance and strategic direction.

EDC was acknowledged as having made a significant contribution to Canada's record export sales and as fulfilling an important public policy role. In addition, the Minister for International Trade, Pierre Pettigrew, confirmed the review's findings that EDC is well managed, highly valued by its clients and innovative in new programs to meet emerging opportunities.

EDC WAS ACKNOWLEDGED AS HAVING MADE A SIGNIFICANT CONTRIBUTION TO CANADA'S RECORD EXPORT SALES AND AS FULFILLING AN IMPORTANT PUBLIC POLICY ROLE.

While EDC's commercial orientation and successes were applauded, it was also noted that our increasingly commercial orientation needs to be carefully balanced with increasing civil society and corporate social responsibility concerns in respect of the environment and human rights, as well as increased EDC disclosure on its activities and their impact on Canadian trade. EDC was encouraged to work more closely with private sector financial institutions to create increased Canadian export support capacity. The Minister was appreciative of the initiatives EDC has already undertaken to address these concerns and indicated he will seek independent confirmation of EDC's performance over the next year.

Cameron Seafoods benefits from EDC opportunities

by Pamela MacCaughey,
Atlantic Business Journal, *May 1, 2000 (reprinted with permission)*

Rodger Cameron is a hard-working Nova Scotian, who has made a lucrative business out of fishing and exporting lobster, and buying and reselling snow crab. In addition, he and his wife operate their own seafood restaurant, Hall's Harbour Lobster Pound. Success has come at a high price – long hours, complete dedication to supplying his expensive products, and getting the products to their export markets quickly. As he comments, "It's a very unique job, because you're dealing with

a live animal with a short shelf life. It's not like you're dealing with a bag of chips or a box of Kraft Dinner."

When Cameron started his business in [illegible] he was selling only within Canada. He obtained assistance from the Export Development Corporation, by getting a Global Comprehensive Insurance Policy, to protect exporters like himself from commercial and political risks which may be involved in export sales made on short-term credit. In 1998, the EDC insured Cameron's company against a buyer in London, England, and now they have become the buyer's sole supplier. Cameron was able to offer them credit when nobody else would, and they rebuilt themselves, rewarding Cameron in the process.

In a different situation, Cameron had to submit an insurance claim to EDC, and found their service exceedingly prompt. The company's sales increase from exportation has grown from $3 million in 1998, to a projected $5 million by the end of 1999. Cameron credits EDC with making this important increase possible.

Packaging industry in Mexico

by Marie-Claude Erian

Are you interesting in doing business in Mexico? Luis Domenech, a Mexican consultant, offered these suggestions at the recent EXPOPACK 2000 conference hosted in Mexico and sponsored by the Packaging Machinery Manufacturers Institute (PMMI):

- → Seek partners that match your size, sales and goals.
- → Define how you will manage communication.
- → Identify decision makers.
- → Approach with a win-win focus.
- → Know your market and define a strategy.
- → Serve as a guide for your business partners and clients but also listen to them.

KNOW YOUR MARKET AND DEFINE A STRATEGY.

- → Define the correct product exposure for Mexico.
- → Translate your business literature and machinery manuals into Spanish.
- → If possible, ensure that your Mexican representative has a stock of spare parts.

Both Marvin Hough, EDC's Mexico market representative, and Marie-Claude Erian, EDC Director, Machinery and Equipment Team, were present at EXPOPACK 2000 to provide support for Canadian exporters seeking to do business in Mexico's packaging industry.

Future events in the packaging industry will be announced on EDC's Web site: www.edc.ca. For further information, please contact Marie-Claude Erian at (613) 598-2969 or Elaine Wilson at (613) 598-6604.

New financing facility for SMEs

by Douglas Ward

EDC and the Bank of Nova Scotia have joined forces to develop a new export financing product which will facilitate access to medium- to long-term financing for small- and medium-sized exporters.

Under this agreement, Canadian exporters will be able to suggest financing to their prospective buyers in El Salvador, Trinidad and Tobago, Jamaica, Argentina and Chile through the Bank of Nova Scotia's subsidiaries and affiliates in those countries. The foreign buyer will then arrange the financing through its the local subsidiary or affiliate, while the Canadian exporter will be paid directly by its local Bank of Nova Scotia under a letter of credit, as the terms of the export contract are met.

Scotiabank's extensive Canadian branch network and foreign subsidiaries and affiliates will enable EDC to offer a high level of financing support to exporters in these five countries. It is also anticipated that additional Scotiabank subsidiaries in Latin America and the Caribbean will eventually be included in this EDC-Scotiabank arrangement.

For more information about this new financing facility, please contact the Bank of Nova Scotia or your local EDC representative office (see page 33).

Invaluable export and investment tool

by Shawn Dalrymple

Economic country risk assessment reports are now available on EDC Direct – EDC's customer-only section of its revamped Web site. Overwhelmingly, customers have noted that these reports are an invaluable tool when assessing a new export or investment market.

These reports detail the economic and political landscape of over 30 countries – crucial information for Canadian companies determining the potential success or failure of an export or investment venture.

Now, non-customers can take advantage of this market intelligence on a trial basis through an ID-Rom (a business card-sized disc that fits into a standard CD-Rom player).

"The information on the ID-Rom is normally reserved for current EDC customers," explains Mary Van Buren, EDC Marketing Project Manager. "But we have now made the full breadth of our country reports available to all companies through our Business Development Managers. It is a tool to demonstrate to their prospects the added value of being an EDC customer. We believe that these reports are a tangible benefit beyond the insurance or financing, and help differentiate EDC from others."

Please contact your EDC regional office to access these reports (see page 33).

Team Canada 2000: Beijing – Shanghai – Hong Kong, November 17-26

More than 1,800 Canadian businesses have concluded over 880 deals, worth an estimated $24.4 billion, in 13 countries with the help of Team Canada trade missions.

Over the past five years, Team Canada missions have proven to be a key component of Canada's international business development efforts to increase trade and investment, creating jobs and growth in Canada. Team Canada 2000 promises to build on this already impressive record by raising Canada's profile in China – a market of more than 1.3 billion people.

The Canada China Business Council (CCBC) will also hold its annual general meeting in Beijing during the Mission. According to the CCBC, China has grown to become the seventh-largest economy in theworld in terms of GDP, and represents an immense market for commercial, industrial, agricultural and consumer goods. The Chinese leadership's commitment to economic reforms, and its pursuit of membership in the World Trade Organization, will help to ensure improved access for Canadian business.

TEAM CANADA 2000 PROMISES TO BUILD ON ITS ALREADY IMPRESSIVE RECORD BY RAISING CANADA'S PROFILE IN CHINA — A MARKET OF MORE THAN 1.3 BILLION PEOPLE.

Companies interested in joining the Team Canada 2000 mission should visit: www.tcm-mec.gc.ca.

AIESEC names EDC "Canada Partner of the Year"

by Julie Harrison

A student-run organization recently honoured EDC as Canada Partner of the Year at its Canada National Leadership Development Conference. The Association of International Exchange Students in Economics and Commerce (AIESEC) noted that EDC had contributed to the organization's goals not only through sponsorships, but also through involvement and practical help.

AIESEC is the largest non-profit organization of this kind in the world, offering students invaluable learning experiences through international internship exchanges. If your company is interested in employing an international intern, please visit AIESEC's Web site at: www.ca.aiesec.org.

INSIDETRACK

EDC APPOINTMENTS

BRAZIL

J. Claudio Escobar
Market representative, Brazil
cescobar@edc-see.ca

EDC has established permanent representation in Brazil. With more than 24 years experience in international trade and business development in the Americas, Claudio Escobar has in-depth knowledge of the region and its markets, as well as an extensive background in trade policy, business negotiation, marketing and strategic planning.

HEAD OFFICE, OTTAWA

Ron Dahms, Senior Vice-President
[illegible] Development
rdahms@edc-see.ca

Ron Dahms will manage EDC's 11 regional offices, the International Markets group, Marketing department, Corporate Business Systems and e-commerce initiatives. He brings significant marketing, sales and service experience from the insurance sector to his new role at EDC. Most recently, Dahms was executive vice-president, Group Network with Desjardins Laurentian/Imperial Life in Montreal and Toronto. His experience also includes a number of years with Imperial Life Financial as vice-president, Group Distribution, and eight years with the Great-West Life Assurance Company.

HEAD OFFICE, OTTAWA

Marie MacDougall
EDC Treasurer
mmacdougall@edc-see.ca

Prior to her appointment as EDC Treasurer, Marie MacDougall worked with EDC for 23 years in various financial, investment and accounting management roles, most recently serving as vice-president and assistant treasurer.

CLAIMS PAID

JANUARY 1, 2000 – JUNE 30, 2000

Companies	Claims	Cdn $ Total
383	710	$42,327,263

Export Markets	Count
Africa & Middle East	4
Asia & Pacific	13
Europe	65
South America	17
U.S.A. & Caribbean	611
Risks	
Default	545
Insolvency	155
Call of Bond	4
Repudiation	6
Political and Transfer	0
Termination of Contract	0
Import Permits	0
Payments	
Under $5,000	302
Between $5,001 and $100,000	355
Between $100,001 and $1 million	48
Over $1 million	5

EXPORTWISE

EDITOR
Cathy Lynch
clynch@edc-see.ca

ASSOCIATE EDITOR
Julie Harrison
jharrison@edc-see.ca

EDITORIAL ASSISTANT/DESKTOP DESIGN/CIRCULATION
Deborah Chapman
dchapman@edc-see.ca

CREATIVE DIRECTION & PRODUCTION
Paul Cavanaugh, ACME Advertising + Design

FILM & PRINTING
The Lowe-Martin Group

CONTRIBUTORS
Deborah Chapman, Shawn Dalrymple, Marie-Claude Erian, Rod Giles, A. Ian Gillespie, Julie Harrison, Toby Herscovitch, Nancy Hughes Anthony, Mala Iyer, Anis Karim, Sujatha Kumaraswami, Cathy Lynch, Stephen Poloz, Patricia Smith, Douglas Ward and Mark Worrall

TRANSLATION
(from Export Wise to Exportateurs avertis)
Maguy Robert

ADVISORY BOARD
June Domokos, Andrew Douglas, Françoise Faverjon-Fortin, Ruth Fothergill, Linda Graupner, Walt Hutchings, Leslie Kenway, Keith Milloy, Maguy Robert, Kurt Rufelds, Jayne Watson and Patricia Wudwud

Export Wise is published four times a year by EDC's Corporate Communications Department.

EDC 151 O'Connor Street, Ottawa, Canada K1A 1K3
Tel.: (613) 598-2500 Fax: (613) 237-2690
Internet: http://www.edc.ca

Export Development Corporation (EDC) is the only Canadian financial institution devoted exclusively to providing trade finance services in support of Canadian exporters and investors in up to 200 countries. Founded in 1944, EDC is a Crown corporation that operates as a commercial financial institution.

The editors welcome letters of comment on articles that appear in Export Wise or on events and issues related to the Canadian export industry. Letters may be edited to meet the magazine's style and space requirements.

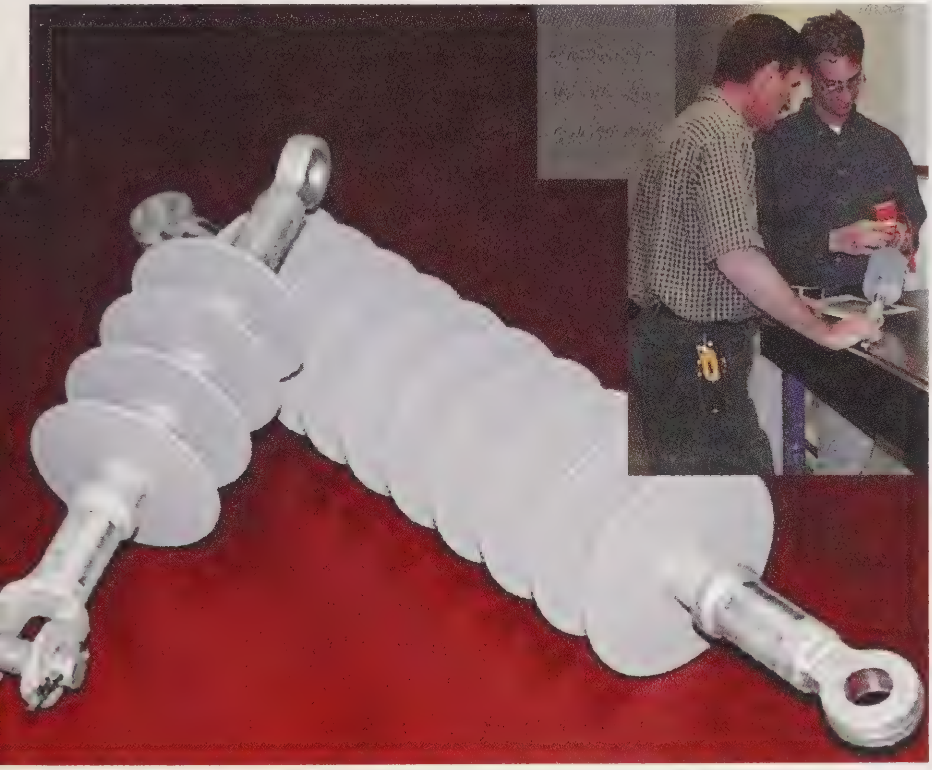
All dollar amounts indicated in the magazine are in Canadian dollars unless otherwise specified.

Ce document existe également en version française sous le titre Exportateurs avertis.

BE SURE TO VISIT EDC'S WEB SITE AT
www.edc.ca

INSULATOR COMPANY IS FAR FROM INSULAR

→Quebec savoir-faire and EDC financing and insurance are a powerful combination for taking on the worldwide utilities market. **by Toby Herscovitch**



In the three-and-a-half years that Quebec-based GLP Hi-Tech Power Products Inc. has served the utilities market, it has sold its advanced polymer insulators on virtually every continent. Founded in 1996 as a subsidiary of Group GLP Hi-Tech Inc., this relatively small firm has expanded from a handful of employees to a staff of 20, plus some 20 sales agents worldwide.

About 95 per cent of GLP Power Products' polymer insulators are exported, with this rate expected to grow another two per cent by next year. General Manager Steve Castegan has been pounding the pavement the world over, setting up an efficient network of sales offices and agents to market the company's state-of-the-art polymer materials to worldwide utility companies. GLP Power Products are now in Asia, Latin America and the United States.

Both the product and company grew out of four years and $3 million worth of research to discover a polymer material with high-tech properties that exceed all present requirements in the utility business globally. These traits, for example, promise to prevent cracking during assembly, ensure that no water infiltrates the electricity-carrying wires and pass the most severe electric-current induction tests.

GLP Power Products' highly demanding product specifications are giving it a keen edge in world markets. The company also keeps its pricing competitive and is very customer-focused, working jointly with utility companies to establish optimum shipment and production delays and to get their input on desired product developments.

Most recently, the company has started relying on EDC's trade finance and insurance services for yet another competitive advantage. Castegan sees two big benefits to dealing with EDC. "We know exactly how much we're going to pay (for the various fees and premiums)," he says, "so this helps us in quoting prices to our worldwide customers. Plus, we get our money quickly and easily when we use EDC to finance deals with foreign buyers. It's much easier to deal with someone in Canada than overseas, and there is a lot less paperwork than when we used letters of credit."

ACCORDING TO CASTEGAN, THE FINANCING EASE AND INSURANCE COMFORT PROVIDED BY EDC HELP ENABLE GLP POWER PRODUCTS TO FOCUS ON EXPANDING GLOBALLY AND STAYING AHEAD OF NEW DEVELOPMENTS IN THE FIELD.

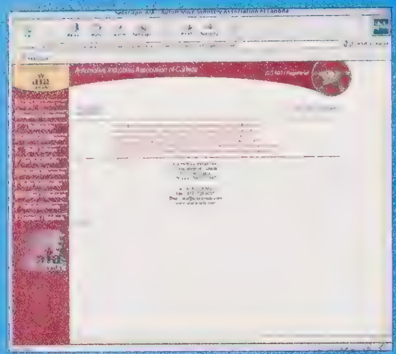
According to Castegan, the financing ease and insurance comfort provided by EDC help enable GLP Power Products to focus on expanding globally and staying ahead of new developments in the field.

PROFILE

Business: Polymer-based electrical products
Established: 1996
Number of employees: 20
Export Business: 95 per cent
Export markets: Asia, Latin America, United States
EDC relationship: insurance, financing
Contact: www.glppower.com

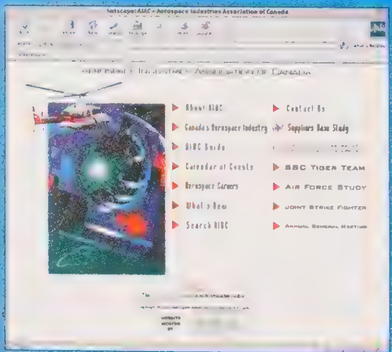
INTER.NET.WORKING

→Below, we have highlighted some key Web sites to complement both our transportation industry feature (see page 12) and our geographic feature on India (see page 22).

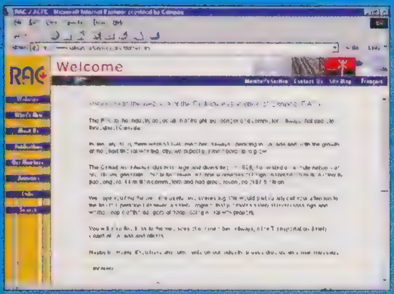


Automotive Industries Associations of Canada – www.AIACanada.com
Offered in both English and French, this site provides visitors with helpful information on current events, publications and media releases related to the automotive industry, and features a link to a secure member's Extranet site. While several sections of the site are presently under construction, many of them seem worth the wait: for example, the "Aftermarket Information" section. Also featured is an extensive members' information section for those looking to join the Association.

Canadian Marine Manufacturers Association – www.cmma.ca
This site provides a great deal of useful and potentially hard to find information on the boating industry, as well as related rules and regulations. Several links to Fisheries and Oceans Canada ensure that you are one click away from supplemental information if what you are looking for is not present on this site. Through the site, you can also subscribe to the association's Come-on-aboard newsletter, which will help keep you abreast of news and changes to the marine industry and its regulations.



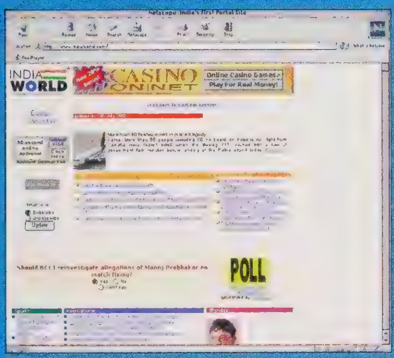
Aerospace Industries Association of Canada – www.AIAC.ca
Promoting the interests of Canada's leading aerospace manufacturers and service providers, this well-designed site is easy to navigate, delivering its messages via intuitive headings such as "What's New" (a comprehensive list of business opportunities in the form of e-bulletins) and "Events". Visitors can also link to the Office of Collaborative Technology Development, an arm of the AIAC geared towards collaborative technology development among organizations.



Railway Association of Canada – www.railcan.ca

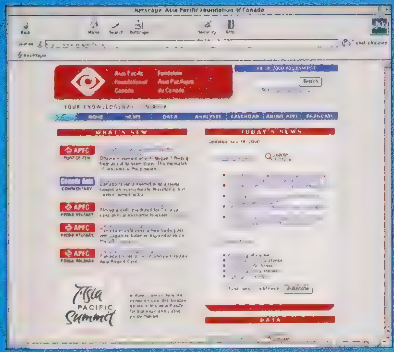
This is a bilingual site featuring an extensive list of articles based on the rail industry, as well as downloadable PDF files that allow you to view the stories as they were originally published. The site also provides a members' section, which lists all RAC members and, when applicable, provides a link to their Web sites (great for networking). Other links include related sites such as those of important government groups who have significant impact on the industry.

For those intrigued by our geographic feature on India (p.22), two invaluable sites to assist Canadian companies doing business in India and Asia.



India World - www.IndiaWorld.com

Focused on its vision to build a solid information network between India and the rest of the world, this site offers access to the hottest news, as well as interactive options such as public opinion polls. The business traveller will find the business and technology headlines direct from India, weather reports and currency exchange rates indispensable.



Asia Pacific Foundation of Canada - www.asiapacific.ca

This leading non-governmental think tank on Asia and Canada-Asia Relations – the Asia Pacific Foundation of Canada – is also an online source of information, analysis and networks for the business, public policy and academic communities. French and English visitors alike can choose to receive, via email, both Canada-Asia News Service (provides news on Canada-Asia issues culled from over 200 leading global media) and Commentary (a monthly analysis of hot topics in the Asia Pacific and their implications for Canada). Also prominent on this site are CAPRN (an online Research Network of over 350 experts covering all aspects of Canada-Asia relations), Briefings for Business (information on doing business in 12 major Asian markets), and the Canada-Asia Review (an annual report on the state of Canada's ties with Asia).

Remy Benois
Vice-President, TMH

→Suppliers to Canada's transportation industry must stay on top of the changing demands resulting from globalization of top tier companies.

by Julie Harrison and Cathy Lynch

GO GLOBAL OR GO BUST

Exporting is not just an option for Canadian companies in the transportation industry – it is mandatory for survival. This observation applies to original equipment manufacturers (OEMs), and to suppliers to the industry who also need an expansion plan that takes them beyond Canadian borders.

The automotive sector was first to demonstrate this trend within Canada's transportation industry: globalization of Canadian automotive OEMs a decade ago has now given way to a second wave of globalization by Canadian suppliers. Today, Canadian suppliers to the automotive industry are actively promoting their products and services to OEMs outside of Canada, and the sector is moving ahead full throttle. (See sidebar on page 16.)

… to follow the same path

A similar situation is emerging in the Canadian aerospace industry, currently ranked as the fifth largest worldwide. Canada's aerospace exports grew steadily during the 1990s and now account for more than 80 per cent of industry production, despite the fact that Canada's domestic market remained constant during the same period. These statistics are based largely on output by Canadian OEMs such as Bell Helicopter Textron, Pratt & Whitney Canada, CAE and Bombardier Aerospace.

However, sustainability of the industry will depend on how rapidly Canadian suppliers can respond to the emerging needs of OEMs. According to a 1999 report commissioned by Industry Canada and Aerospace Industry Association of Canada, *Canadian Aerospace Suppliers Base … Change*, the percentage of Canadian content in our aerospace exports is falling off. This indicates that not enough Canadian suppliers are taking advantage of opportunities created by the growing trend to outsource production and service requirements.

…ENT REMY BENOIS (MIDDLE) WITH PRODUCTION MANAGER
…EFT) AND CHRISTIAN ROULEAU, VICE-PRESIDENT MARKETING.

The competitive nature of the industry is prompting OEMs to increasingly concentrate on design and final assembly, and to rely on systems integrators and sub-system suppliers to take on more of the design and integration work. This has prompted many top tier companies to form closer ties with fewer suppliers, to enable their full participation in the product development process. It affects not only the manufacturing side, but also the services side, requiring service suppliers to do what they can to add value and broaden their offerings, such as: developing or enhancing technical/design capability; adjusting their role in the supply chain; entering into mergers or acquisitions to expand capabilities; and, accessing new markets.

Also, top tier companies increasingly expect their suppliers to "buy" into programs, partnering and sharing the risk as well as the potential reward, so the issue of accessing capital is becoming a crucial one for the industry.

In short, suppliers that are responsive to the changing demands of top tier companies stand to gain, both in the short run by building their business, and over the long haul by helping to sustain Canada's position in the global transportation industry.

TMH meets top tier demands

TMH is one example of how demand can shape supply in the transportation industry. Since 1993, TMH Canada Inc. has grown from a one-man show, geared toward reselling equipment for its parent company in France, to a 20-person operation that designs and manufactures its products in Quebec. (This year, the company was recognized by *Profit* magazine as one of Canada's top 100 fastest growing companies.)

The parent company, Techman-Head S.A. (the technique, the man and the head), was originally founded as an engineering group. Customers were impressed by its designs and asked that the company do the manufacturing as well. Today, Techman-Head provides a full range of engineering, manufacturing, repair and recertification services.

Similarly, TMH Canada has evolved to become a full-service operation, taking on systems integration where required. The company specializes in tooling for the maintenance of aircraft and ground support equipment, for aircraft ranging from commuters and regional jets to larger aircraft like Boeing and Airbus. Its customers include not only airlines and maintenance centres, but also some aircraft manufacturers. TMH provides equipment design and sometimes manufacturing to OEMs, particularly in cases where the OEM is selling an aircraft to a customer complete with maintenance tools.

For its manufacturing needs, TMH relies on a network of machine shops in the Montreal area, which helps the local economy. According to Rémy Benois, vice-president, out of $8 million in sales this year, TMH will send out about $5 million worth of business to local manufacturers; $1 million of that goes to buying raw materials, and the rest covers labour costs, thus representing profit for the sub-contractors. Benois says this is a win-win situation for TMH and its suppliers. "Our sub-contractors invest in the overhead, hiring people and

buying machines, and we bring in new business. We've even helped start up new businesses, such as a welding shop and a smaller machine shop. So, our suppliers benefit from our exports."

Nancy Lanni, financial comptroller, says TMH recently turned to EDC to reduce risk while maintaining a competitive position. Prior to working with EDC, TMH would secure payments by asking buyers for a letter of credit, or for payment up front. "Now, we have more business abroad, and more potential customers who are not willing to pay with those conditions," Lanni explains. "Also, there are certain markets, certain customers that we can take a risk with now because EDC insures the receivables. We are still very careful, but it helps knowing that EDC does a thorough credit check, so we have that reassurance."

As a supplier of maintenance equipment, TMH is the type of supplier that is positioned to help sustain Canada's transportation industry over the long haul. "It's no big secret that the aerospace industry is very cyclical, over a five to six-year period, and appears to be approaching a peak. However, even when the demand for new equipment falls off, there will still be a need for maintenance tooling," observes Benois.

Despite its existing strengths, TMH is also looking at ways of further expanding its business. Related business opportunities include leasing equipment, or recertification since the tools TMH sells need to be recalibrated and recertified almost annually, says Benois. Tapping into these sorts of opportunities will move up the priority list for TMH this fall, when president and founder René Scolardi moves from France to Canada in order to focus on further developing the market.

Vector expands through acquisition

Like TMH, Vector Aerospace is counting on high growth in the aviation aftermarket support industry, and the company is expanding to keep pace. "Our industry alone will exceed US$50 billion this year, and annual growth in air traffic is forecast to average five to six per cent over the next 20 years," says Mark Dobbin, chairman and chief executive officer. "This means robust demand for support services and it is critical that Canadian suppliers be well positioned to capture an increasing share of this market."

In response to OEM demands for financially strong and technically sophisticated suppliers, Vector is using acquisition to add to its capabilities and expand its customer base. Founded in 1998, Vector concurrently acquired the aviation repair and overhaul business segment from CHC Helicopter Corporation, which comprised ACRO Aerospace, Atlantic Turbines International (ATI) and Sigma Aerospace. In 1999, Vector added the Helipro Group and Alameda Aerospace to its roster.

"Aerospace is truly a global industry, and we are catering to a global marketplace," observes Dobbin. "We don't use our facilities in different locations to give regional coverage." Instead, each facility specializes in the repair and overhaul of specific aircraft engines, and builds on Vector's core strengths. For example, the ACRO Aerospace facilities in British Columbia service the Allison 250, Arriel, GE T58/CT58, T64, T700 and PT6T engine lines; the ATI operations in Prince Edward Island do repair and overhaul on turboprop engines manufactured by Pratt & Whitney Canada (PW100 and PT6A); and Sigma Aerospace overhauls turbine engines such as the Rolls Royce Dart and Conway engines, and the RR Allison T56/501 engine line.

Geographic location is not an issue for Vector's customers, who are more concerned about quality of work and turnaround times than pricing. Engines are shipped from around the world to the appropriate servicing location, and freight often represents less than one per cent of the cost for the repair and overhaul.

"We have product operating on all continents, including Antarctica," says Dobbin. At least 75 per cent of Vector's sales are exports into markets like the United States, Europe, the Middle East, and Australia. On the helicopter side of its business, Vector has made inroads in Latin America. "The Canadian market is just not large enough to support a world competitive product line," comments Dobbin. "If we focused exclusively on the Canadian market we would never have the critical mass necessary to keep our shop utilization up,

THE ROLLS ROYCE CONWAY TURBINE ENGINE, ONE OF MANY AEROSPACE COMPONENTS OVERHAULED AT VECTOR'S NEWLY ACQUIRED SIGMA AEROSPACE. THIS PARTICULAR ENGINE IS FOUND ON THE BRITISH MINISTRY OF DEFENSE'S MID-AIR REFUELER, THE BAE-VCID.

"Also, there are certain markets, certain customers that we can take a risk with now because EDC insures the receivables. We are still very careful, but it helps knowing that EDC does a thorough credit check, so we have that reassurance." – *Nancy Lanni, financial comptroller, TMH*

nor be able to spread our product development enhancements over a large enough revenue base. We would wither on the vine and die."

Initially, Vector approached EDC for ... insurance coverage in connection ...th its acquisition in the United States (Alameda Aerospace), followed by coverage on a performance bond in connection with ... U.K. subsidiary, Sigma Aerospace, and other ...nsactions.

Despite the fact that Vector and EDC have ...n partners for less than two years, Dobbin ... EDC has already had an impact on ...tor's balance sheet. "The repair and ...rhaul industry is not a bricks and mortar business like a lot of other industries. We're ...king capital business, and EDC seems ...e a pretty good appreciation for working capital. That's where we have a tremendous scope for increasing the breadth of our relationship."

"We're in a slightly different set of dynamics than the OEMs," observes Dobbin. "Our industry is consolidating and we may at some point feel the need to broaden our range of service beyond what is our core business right now; that being repair and overhaul of engines, accessories and dynamic components." He says some of Vector's competitors are adding services such as inspection, painting and field maintenance of aircraft. However, Vector is focusing on further developing its current market segment. "We've built up a tremendous amount of knowledge around our business processes and the management of a repair and overhaul business. We are bent upon continuous improvement of that, and want to become the acknowledged world leader in that market."

CEL sets its sights abroad

Knowledge and experience are the foundation for CEL Aerospace Test Equipment Ltd.'s business also. Founded in 1988, CEL has developed two main market niches: the design of engine test cells, and the manufacturing of test equipment for aircraft engines. The company's expertise not only allows for the conception of test equipment but also enables it to propose solutions to increase engine performance. This makes CEL an important partner of engine OEM's such as Pratt & Whitney Canada, Rolls Royce, Allison, Turbomeca and General Electric Aero Engines. It is also enabling the company to look at adjusting its role in the supply chain.

CEL has been exporting since day one, but its export sales were initially through OEMs like Pratt & Whitney. "The biggest change taking place at CEL right now is we are building our own global network of representatives," says Charles Lussier, the company's president and chief executive officer. "The advantage of working with Pratt & Whitney is obvious: it provides credibility. The biggest disadvantage is that we only hear about the contracts it wins. Our goal now is to supply not only Pratt & Whitney but also OEMs outside of Canada."

The Montreal-based company has already achieved a presence in geographic markets

EDC PULLS MEXICAN BUYERS INTO CANADA

by Shawn Dalrymple

...otive industry has ...nificant global ... over the past few ... When original ... manufacturers ...nued this growth ...ell into the early 1990s, suppliers had little choice but to follow. The alternative was to let foreign suppliers build relationships with OEMs abroad and position themselves to encroach on opportunities in Canada as well.

To help Canadian-based suppliers expand their global business, EDC is putting foreign buyers in touch with Canadian sellers. For example, as part of its Mexican automotive strategy, EDC brought several large Mexico-based autopart suppliers to meet 39 Canadian exporters, in order to show them the advantages Canadian companies offer in terms of technology, knowledge, and human resources.

"The key to getting foreign buyers to deal with Canadian suppliers is to show them that while many Canadian companies are small, they are world-class global organizations just the same. They just happen to be based here," says Rick Bernst, financial services manager with EDC's Automotive Industry Team.

EDC's Mexican automotive strategy has already yielded results for Mexico-based Metalsa and Ontario-based Superior.

Metalsa buys into strategy

Metalsa is one of the leading Tier 1s specializing in structural components for the automotive industry in Mexico. It has 80 per cent market share in chassis frames for light trucks and 60 per cent market share in side rail for heavy trucks, and exports more than 75 per cent of its production. Metalsa understands the global automotive industry and is thus a perfect fit for EDC's strategy.

"We used to have our suppliers forever, because we didn't know any other suppliers," says Leopoldo Cedillo, Metalsa's chief financial officer. "EDC helped to expand our supplier base, which builds competition among suppliers and results in better products."

Cedillo notes the advantages of doing business with Canadians include quality, price and good business relationships. Impressed with his trip to Canada, Cedillo says, "The visit

such as the United Kingdom, Brazil, Mexico, Taiwan and Singapore. It has grown its business to the point where the contract with Pratt & Whitney, despite remaining steady, will account for just 16 per cent of its business this year, down from half of CEL's sales in 1999.

Lussier says EDC is helping remove roadblocks for CEL. "First of all, having EDC as a guarantor for cash we receive from abroad has helped our cash flow. When CEL is doing a contract abroad and provides its own guarantees, it hinders our expansion," comments Lussier. Most recently, EDC guaranteed letters of credit (LOCs) for CEL on a $6 million deal in Singapore. Initially, Lussier contacted EDC to help out with smaller contracts where he required insurance on account receivables. "The first job I used EDC for was a US$50,000 job in Germany with DASA. Now DASA is not small and they have the money, but the bank required insurance. EDC offered a guarantee of being paid."

THROUGH THE USE OF A TEST CELL AND DYNAMOMETER, CEL AEROSPACE OPERATORS TEST THE PERFORMANCE OF AIRCRAFT ENGINES IN ORDER TO VALIDATE THEIR RETURN TO USE.

The second roadblock is one of increasing concern to suppliers in the transportation industry: financing. "EDC can help provide financing for our buyers," adds Lussier, "and that's an added service we can offer our clients – it will enable us to be more competitive."

Armed with domestic experience and solid expertise, CEL is taking flight in the global market.

was very focused. EDC really studied our business, and structured the trip to meet our needs." He adds, "We are close to making deals with some of the suppliers we met for the first time. We plan to buy Canadian products, not necessarily because of EDC but because they are the best products."

Superior goes global

With a focus on design and engineering for the automotive industry, Superior Machine and Tool Ltd. is one of Canada's largest independent tool and die shops. Using state-of-the-art simulation and 3D-design software, Superior designs, virtually simulates, builds and supports stamping tools and specialty products for customers worldwide.

"Design and engineering are where we excel," explains Brian Szucs, Superior's vice-president of sales and marketing. "Also, our size, our capability to handle large programs, and the experience of our workforce play a part in our foreign and domestic success." Szucs credits EDC with paving the way for discussions between Superior and Metalsa, by ensuring the proper information went to the right people. "EDC provides answers to often-difficult questions for both Canadian and foreign companies. This gives us an edge over the competing tool shops," says Szucs.

Superior is bidding on one project with Metalsa, and is beginning a project with Tower, a 40 per cent shareholder in Metalsa. "Being a successful global company requires the right mindset, the right pricing and proper support," notes Szucs. "Without these, companies risk losing out internationally. In the automotive industry, being global is imperative to success."

In light of the success achieved by this Mexican automotive strategy, a similar approach will be used in January of 2001 when EDC will accompany Canadian companies to Mexico and introduce them to several Tier 1 suppliers. With such positive feedback regarding the first mission, there is no doubt plenty of leads will be generated for Canadian suppliers via this upcoming endeavour.

For more information on EDC's upcoming mission to Mexico, contact Craig Wiggins, EDC relationship manager, at (613) 598-2553 or cwiggins@edc-see.ca.

PROFILES

Company: Superior Machine and Tool Ltd.
Business: tool and die manufacturing
Employees: 220
Head office: Chatham, ON
Annual sales: $30 million
Exports: 50 per cent
Export markets: Mexico, United States, potentially China
Contact: www.smthome.com

Company: Metalsa
Business: OEM, structural components for automotive industry
Head office: (poner su dirección) Monterrey, Mexico
Exports: 70 per cent
Export markets: Canada, United States
Contact: www.metalsa.com.mx

[illegible] SHIP REPAIRS PROVIDE SIGNIFICANT ECONOMIC BENEFITS TO [illegible] WEST COAST. HERE, SEASPAN PROVIDES SHIP REPAIR SERVICES TO [illegible] CRUISES' VESSEL "SUN PRINCESS" BEFORE IT IS REPOSITIONED [illegible] MIAMI AT THE END OF THE VANCOUVER-ALASKA SEASON.

[illegible] move to specialize

While Canada's more mature transportation industries, such as shipbuilding and ground transportation, have been global since virtually day one, many companies are [illegible] moving into niche or specialized pockets of the industry.

[illegible]hrough acquisitions and mergers, [illegible] companies are able to expand their [illegible] into these niche pocket markets. But [illegible] companies are also deciding to specialize, [illegible]g the international marketplace [illegible] to generate an adequate cus[illegible].

[illegible]e markets for transportation niche [illegible] ready for the taking, regardless [illegible].

[illegible] repair business

Seaspans progenitors were among the first mem[illegible]'s shipbuilding industry, which dates back to 1836 with Hudson's Bay paddlewheel steamer "Beaver". Beginning with the construction of tugboats that shuttled Klondike gold-rushers, to barges for the international transport of logs, to the ownership of shipyards, Seaspan has successfully ridden the waves of industry changes for decades.

In 1996, Seaspan joined many other long-established Canadian transportation companies under the common ownership of The Washington Marine Group. By combining their resources and the skills of over 2,000 Canadian employees, the companies in this Group aim to become Canada's leading full-service transportation provider.

An increasingly integral aspect of The Washington Marine Group's full service to the marine industry is its ship repair service. Encompassing three shipyards – Vancouver Shipyards, Victoria Shipyards, Vancouver Drydock – and the recent acquisition of the floating drydock Seaspan Careen, the Group is uniquely positioned to take a lead role in major ship repair contracts.

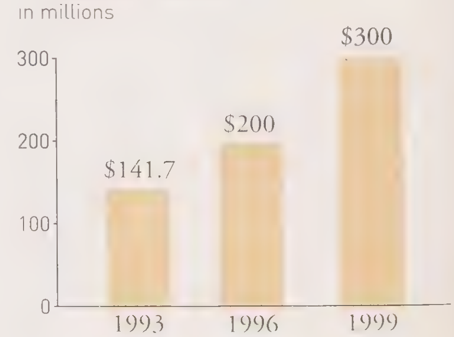
David Reid, Director, Ship Repair and Business Development with Seaspan, says, "We're feeling quite bullish about the ship repair business. The fleets operating on the Pacific Rim are growing, the dollar amount per repair is on the rise as the average age of commercial vessels increases, and we consider international ship repairs to be a major source of our business now, and even more so in the future." Reid is not alone in his outlook; U.S. industry sources predict that water-borne traffic will triple over the next two decades. As a result, industry investment is crucial to keep pace with the demand for larger ships and technological enhancements.

According to Reid, "EDC financing has a major role to play in attracting foreign vessels to our yards." EDC's first ship repair financing transaction was a joint financing arrangement between EDC and Seaspan. This arrangement was developed to meet the needs of U.S.-based Sea-Land Services, whose container ship "Sea-Land Innovator" required emergency drydock repairs in May 1999, valued at over $1.3 million. Seaspan is still reaping the rewards; in the nine months that followed since this first repair, this client (now known as CSX Lines) has provided Seaspan with over $7 million of business.

This particular repair took place at Victoria Shipyards, but all three of the Group's yards are experiencing a high volume of business, particularly during the summer months when Vancouver becomes the home port to 24 cruise ships offering voyages to Alaska. "We are currently operating at 85 per cent utilization of our dock space, which is much higher than historic averages for shipyards in Canada. In the next five years, we expect to be operating at close to 100 per cent utilization as a shortage of dock space is anticipated on the West Coast of North America due to the increasing number of vessels operating on the Pacific Coast," notes Reid.

In particular, the cruise ship industry is a hub of activity. According to the Vancouver Economic Development Commission, the Vancouver cruise industry has been on a steady growth path for over 16 years. In the past six years, revenues from the cruise ship industry have more than doubled. This includes passenger spending as well as ship maintenance, repairs, supplies and related services.

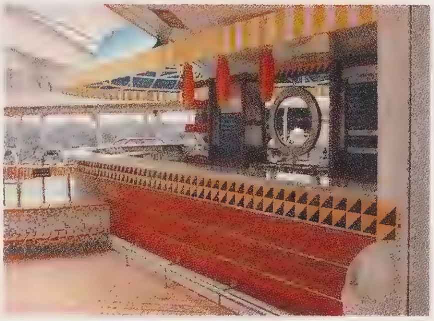
Economic impact of Cruise Ship Industry for Western Canada
in millions



The Vancouver-Alaska cruise ship season operates out of Vancouver during the months of May through September. Cruise lines typically dock their vessels either prior to the start of the season or at the end of the season when the ships are being readied for repositioning to Florida for the winter season. Each docking will generally involve close to $2 million in regulatory maintenance and ship repair services, and can employ up to 700 tradespeople – all in a whirlwind period of two weeks maximum.

Reid hopes to attract a greater number of cruise ships through a cooperative arrangement with the Canadian government. "We are working closely with Public Works and Government Services Canada on an initiative that will result in the construction of wing wall pockets in the government-owned Graving Dock in Victoria, and will allow the full extension of cruise ship stabilizers for mandatory repairs. Construction is scheduled to be complete in time for the docking of the 'Sun Princess' this fall for Princess Cruises." In anticipation of this capital improvement, cruise lines have already made advance bookings for dock space in 2001 and 2002.

Seaspan boasts the only shipyard on Canada's west coast with the technical capability, skilled workforce and financial capability to dock cruise ships which can cost as much as $400 million each to build. By continuing to attract larger, more sophisticated vessels, Seaspan will accelerate its already flourishing ship repair business.



GREGGS MARINE INTERIORS CAN CREATE A PALATIAL ATMOSPHERE ON ANY SHIP, BY PERFORMING CUSTOM TASKS SUCH AS GLASS AND MARBLE WORK, CARPETING, AND RE-UPHOLSTERY.

World-class reputation fuels Greggs

For each dollar spent on mechanical repair, the cruise ships spend an additional dollar on refurbishment services. Greggs Marine Interiors has chosen this – interior ship refurbishment – as its niche market.

Initially a family-run business offering high-end, customized furniture for hotels and offices, Greggs saw an opportunity in cruise ship refurbishing. Robert Scott, a Principal of Greggs, explains that in 1972, Princess Cruises (then known as P&O Shipping) was brought into Victoria Shipyards for a mechanical refit, but also wished to have some of its interior furnishing updated. There was no one specializing in this market, so he and his father took on the job. Since then, Scott and his brother have gone on to establish a solid reputation in this high-pressure industry.

The cruise ships select their refurbishers based on quality of service and ability to perform under intense time parameters, not cost. "These ships have cruises booked, tickets sold and customers waiting on the dock … they just cannot afford to have a non-performing supplier," observes Scott. He adds, "A spotless reputation is critical in this business. You just cannot fail on these jobs."

The interior refurbishment work is timed to take place during scheduled mechanical refits. While refits are scheduled well in advance, the window for the refurbishment work is tight – 10 days to 14 days maximum. Depending on the contract, as many as 90 tradespeople may be needed for a refurbishment job, 95 per cent of which are contracted by Greggs from their immediate local area of Victoria, B.C.

A Victoria home base makes Greggs ideally situated to service the cruise ship industry. Covering over 150 kilometers of coastline, Vancouver's year-round harbour is the largest port in Canada. Considered to be Canada's busiest trade intersection, it facilitates trade with over 90 nations worldwide, helping in particular to maintain Canada's strong trade ties with Asian Pacific Rim nations. In addition, the Victoria Shipyards boasts the largest ship repair complex on Canada's Pacific Coast.

The cruise ship operators prepare a bid for the interior work and offer it to the entire international community of refurbishment suppliers. With such intense competition, it is full-service that gives Greggs a competitive edge in the bidding process. "Full-service is attractive for the operators; less contractors to manage, less that can go wrong," notes Scott.

Greggs has been a global business from day one, since virtually all its clients, despite using a Canadian refit location, are foreign-owned operators. In addition, Greggs routinely flies a crew to international refit locations. Most recently, this involved 55 Canadian tradespeople for a contract in Lisbon, Portugal.

Foreign receivables, however, are an inevitable aspect of global business. According to Scott, banks are very reluctant to run lines of credit against foreign receivables, which they consider unsecured. "Our industry is well protected against non-payment by cruise operators, but foreign receivables are difficult when trying to finance the refurbishment work up front," observes Scott. "EDC offers the banks the security [accounts receivable insurance] they need to free up working capital. Before working with EDC, Gregg's was forced to self-finance or rely on co-operation from its sub-suppliers."

Working capital is now an issue of the past as Greggs heads into its next busy refit season this Fall.

New Flyer innovates to create demand

Established over 70 years ago, Winnipeg-based New Flyer maintains its position in the transit bus industry by constantly innovating and refining existing design and technology.

"Our R&D department is at the heart of our ability to stay competitive. As a result, New Flyer has one of the largest product offerings in the North American marketplace," observes Ken Ross, CEO of New Flyer. It is this large product offering, combined with the flexibility for customers to select options best suited to their specific needs, that has launched New Flyer to its present position of $850 million in annual sales.

It was New Flyer's introduction of the low floor bus to the North American market that firmly established its reputation for innovation. "What began as a specialty product soon became the industry standard, with New Flyer as the leader in units sold and in revenue service," says Ross.

When searching for potential improvement innovations, nothing is overlooked – its R&D department considers such factors as driver and passenger comfort, alternative fuel options, and ease of maintenance. In fact, New Flyer was the first North American manufacturer to promote a complete offering of alternative fuels in a variety of configurations: compressed natural gas, liquid natural gas, hybrid, and electric.

New Flyer's latest product offering – the Invero transit bus line – aptly illustrates how this company innovates to create demand. New Flyer believes that the Invero will ultimately emerge as the urban transit bus of choice for the next decade.

Many of the technological innovations incorporated into the Invero are invisible to passengers and drivers but represent major improvements for the transit properties operating and servicing the buses. Completely computer-controlled on-board diagnostics monitor all systems while the bus is in use, identifying problems before service is affected. In addition, the modular approach to the Invero system design means substantial reduction in service calls and downtime because failing modules can be replaced immediately and repaired later without the need to take the bus out of service. The critical drive train assembly – including engine, transmission and cooling systems – are all self contained in a single cradle assembly that can be removed and replaced just like any other module. Service time for these major systems is reduced from the traditional four to eight hours to less than two hours.

Ross adds, "New Flyer was also aware that bus drivers currently experience three times the number of workplace health claims than the next nearest industry. For this reason, particular attention was paid to driver ergonomics and technological innovations to reduce driver fatigue in the Invero design."

When considering new markets or innovative ways to meet their customers' financing needs, New Flyer turns to EDC. "We find EDC has the ability to develop unique solutions and offers us a rapid turnaround time. These are characteristics that we take pride in ourselves, so naturally we appreciate them in EDC," notes Ross.

Despite having over 7,000 New Flyer transit buses currently in service in North America, New Flyer's more than 1,500 Canadian employees refuse to be complacent – New Flyer will continue to drive the industry through innovation.

"Our R&D department is at the heart of **our ability to stay competitive.** As a result, New Flyer has one of the largest product offerings in the North American marketplace." – *Ken Ross, CEO, New Flyer*

[illegible] ATION WAS LAUNCHED THIS PAST OCTOBER. THE [illegible] BE LIGHTER, MORE EFFICIENT, MORE DURABLE, [illegible]

PROFILES

Company: CEL Aerospace Test Equipment Ltd.
Business: designer/manufacturer of engine test cells
Employees: 30
Head office: Longeuil, PQ
Exports: 50 per cent
Export markets: United States, Europe, South America, Asia
Contact: www.cel-aerospace.ca

Company: TMH Canada Inc.
Business: tooling for maintenance of aircraft and ground support equipment
Employees: 20
Head office: Boisbriand, PQ
Exports: 80 per cent
Export markets: United States (more than 70 per cent), South America, Europe, Asia, Middle East
Contact: www.techman-head.com

Company: Vector Aerospace Corporation
Business: engine repair and overhaul
Employees: 1,100
Head office: St. John's, NF
Exports: 75 per cent
Export markets: Australia, Europe, Middle East, United States
Contact: www.vectoraerospace.ca

Company: Seaspan/Washington Marine Group
Business: marine transport, repair and construction
Employees: 2,000
Head office: Vancouver, BC
Exports: 20 per cent of marine transport and 80 per cent of ship repair business
Export markets: United States, South America, Asia, and Europe
Contact: www.seaspan.com

Company: Greggs Marine Interiors
Business: interior ship refurbishing
Head office: Victoria, BC
Exports: 85 per cent
Export markets: United States, Portugal
Contact: greggsmarine@home.com

Company: Dupont Trolley Industries
Business: bus manufacturer
Annual sales: over $5 million
Employees: 50
Head office: Quebec City, PQ
Exports: 95 per cent
Export markets: United States
Contact: www.dupontrolley.com

Photo courtesy of Dupont Trolley

DUPONT TROLLEY, A QUEBEC SMALL BUSINESS, INJECTS OLD-WORLD CHARM INTO THE MODERN URBAN TRANSIT INDUSTRY.

Dupont markets old-world charm

Within a mere three years, Dupont Trolleys has blown open a specialized market in the ground transportation industry. By manufacturing an urban bus which looks like a traditional trolley, this small business markets old world charm to modern transit systems, primarily in the United States.

Jean Dupont, Dupont Trolley's young President and CEO, ignored traditional advice to exploit his specialized product. He explains, "Common thinking in the industry is that when selling to the United States, one should concentrate on a territory of, say, five to eight states. With a niche product though, I needed a substantial volume to be profitable; I needed to sell to a broader audience if I was to sell enough trolleys." Clearly, his strategy has worked - Dupont Trolley has penetrated 14 states in less than three years.

Since the company was created in 1997, EDC has been an active partner. "Ninety-five per cent of our sales are exports, so I was looking for a level of trade finance expertise and service that I wasn't generally able to find from my bank. EDC has helped me a great deal … it's always better to do business with the experts."

Initially, Dupont approached EDC for accounts receivable insurance as a means to free up more working capital from his bank, and he now makes optimal use of the full spectrum of EDC services. "In this industry, bonding - performance bonds as well as bid bonds - are always required from suppliers. This can really drain a company's working capital. Since I don't operate on a high volume basis, it is difficult for my bank to help me in this area, but EDC is always quick to respond to these needs, " notes Dupont. "In the future, I foresee EDC being able to further assist Dupont's business development by offering financing to our buyers," he adds.

Building on its strong foundation market in the United States, Dupont Trolley is on the verge of expanding overseas.

Dupont Trolley is representative of many companies in Canada's transportation industry, many of which have proven they have what it takes to adapt and thrive in a global marketplace.

→India is among the most dynamic markets in the world today, having emerged as one of the most promising of the developing economies.

by Mala Iyer and Anis Karim

INDIA

WIDE OPEN FOR BUSINESS

n today's India, economic reforms have unleashed tremendous growth potential. Supply and investment opportunities exist in a wide range of sectors and the country offers a range of local resources as well as access to other markets.

India is one of the largest economies of the world with a rapidly growing consumer market, which stands at approximately 300 million or roughly 30 per cent of its population. The far-reaching and sweeping economic reforms undertaken since 1991 are characterized by a rapid, yet systematic, move towards deregulation and liberalization, which has transformed India into a favourable destination for foreign investment.

Economic reform is firmly rooted in a political consensus that spans various political parties. Also, India's dynamic and highly competitive private sector, which has long been the backbone of its economic activity and accounts for more than 70 per cent of its gross domestic product, offers considerable scope for joint ventures and collaborations.

Photos: Gettyone (main and centre inset photos); stockphoto.com (top inset); SNC Lavalin (bottom inset)

Fodder for development

With a large and diversified infrastructure spread across the country, India has a large manufacturing capability spanning almost all areas of manufacturing activity. It incorporates a well-developed banking system, with a commercial banking network of more than 60,000 branches supported by several national, state and foreign financial institutions.

India's development strategy accords primacy to infrastructure. Power, communication and transport services are being constantly upgraded, the marketing infrastructure and financial sector are highly developed, and quality of human resources is high. Its legal system treats foreign investors on the same level as domestic ones and has a great potential as an investment destination competing with China and other emerging markets.

Corporate performance has been on the rise due to strong demand and sound business environment. Performance is generally good across most industries, and several multinationals operate successfully in India and have a lasting presence in the Indian market.

Also, India's capital market is well established. The 22 stock exchanges, capitalization of over US$100 billion, nearly 7,000 listed stocks, 15 million investors and an average annual increase of 50 per cent in public issue since 1988 make it a market that can support the larger investments.

There is potential in sheer numbers in this market. India is the world's largest democracy, seventh largest and second most populous country, with the largest English-speaking population on earth. The country's skilled managerial and technical manpower match the best available in the world, and its rapidly growing middle class (which exceeds in size the population of the United States or the European Union) provides India with a distinct cutting edge in global competition. Geographically, India offers easy access to other markets in the region, such as Bangladesh, Sri Lanka, Nepal, Pakistan, Maldives and Bhutan.

Cracking the market

Foreign investors are looking at India with fresh interest, in light of the investor-friendly policies being issued by the Indian government, and the fact that Indian paper is available cheaply. Prior to 1991-92, access to international capital markets in India was limited to financial institutions and public sector units.

Today, with the opening up of the Indian economy, traditional avenues of sourcing funds in the form of bank borrowings, syndicated loans, LOCs, and floating rate notes no longer satisfy the corporate requirements. One of the major sources of finance for the corporates has become

INDIA: ECONOMIC OVERVIEW

by Mark Worrall

equity issue for the international capital markets and foreign investors, leading to the origin of Euro-issues, now the most favoured source of funding for corporate planning expansion in the new, improved economic scenario.

The challenges facing Canadian investors doing business in India may include bureaucratic bottlenecks, lack of connections, cultural differences, presentation and infrastructure. One of the best ways to navigate the opaque regulations and red tape is through local representatives or joint venture partners. They can provide a vital link, helping Canadian companies to establish strong relationships in the market, influence decision makers, and tap into opportunities in India. None of this happens quickly, and multinational corporations who have had success in India confirm that patience was one of the keys to their success. The payoff is that many of these corporations have leveraged India for worldwide capabilities such as sourcing, and research and development.

Opportunities span several sectors

Although India has all the potential of an industrialized nation, it is desperately in need of capital investments to develop its infrastructure, and support its ambition of becoming a major global force. This yields opportunities for Canadian companies across several market sectors, most notably power, telecommunications, mining and industrial equipment, environment and railway, as well as manufacturing, aerospace, construction, and pulp and paper.

Power

India's power sector comprises hydro-electric, thermal and nuclear power, and represents enormous opportunities for Canadian companies. India requires huge investments in power generation over the next 10 years to reduce power shortage, and the government continues to establish new reforms to attract private sector investment. Canadian companies have been very active and successful in the Indian power sector; however, extensive opportunities remain in the areas of power generation, expansion, refurbishment, transmission and distribution.

Telecommunications

The Indian market for telecommunications is second only to China in terms of potential for Canadian exporters. The evolving telecom policy in India has given a tremendous boost to private sector investment. Opportunities yielded by recent reforms include an increase in foreign equity participation in new ventures, private sector involvement in value-added services, the provision of network management services for national and metropolitan networks, and voice-mail services.

Potential exists for Canadian compa- to sell equipment and technology in the areas of transmission, switching, erminal equipment such as pagers, and o paging. Large potential also exists r Canadian manufacturers of supervi- control and data acquisition systems ADA) equipment, space, remote ensing, CATV equipment and services.

Mining and industrial equipment

India's mining policy offers significant opportunities for Canadian industry, pecially in coal mining and coal wash- . India has good-quality iron ore, man- and chromite, in addition to lignite l coal reserves.

On the equipment and services side, strong prospects exist for Canadian man- ifacturers and suppliers of high-quality niche products such as drilling equipment ind underground communications. Considering the rising concerns to safeguard vital environmental and eco- logical implications, the demand for relative environmental technologies is also increasing.

Railways

Opportunities in the railway sector continue to grow. Although railway development is largely relegated to domestic industry, there is strong potential in several areas. (See sidebar on page 27.)

Support for exporters and investors

To support Canadian exporters, EDC has several instruments available, including: short-term insurance coverage for export receivables; contract insurance and bonding to provide bid and performance support; and, to protect Canadian investments in India, EDC offers political risk insurance.

To finance Canadian projects entailing supply of Canadian goods and services, EDC will consider various lending vehicles, including: lending directly to creditworthy public or private sector entities; on-lending through a number of Indian financial institutions; and, for projects with strong fundamentals, EDC can consider lending on a project risk basis (subject to its due diligence process).

Presently, EDC is in the advanced negotiation stage with Power Finance Corporation of India to support Canadian projects and supply of goods and services to the power sector. This government-owned entity is dedicated to financing power sector projects in the market, and is a good ally for sourcing local cost financing as well.

To support projects in the railway sector, EDC has an established LOC with Indian Railway Finance Corporation; though it has already financed projects under this line, there is still room for future projects.

To support transactions in other sectors, EDC is in discussion with Industrial Credit and Investment Corporation of India to establish an LOC facility. This LOC would be a general purpose one, to assist in financing Canadian suppliers pursuing projects in various fields. In addition, when these LOCs are not applicable, there remains the option to structure the transaction to meet the current financing need.

Need for equity participation

Projects in India have been attracting internationally-renowned companies from around the world, and competition is fierce. These companies take a long-term view of India, endure the initial storms encountered during the first few years, and reap the harvest in the end. "Long-term" is the key word here, as these companies must be willing to make a long-term commitment through equity participation in the projects they are pursuing. As a result, equity participation has become almost a given for winning projects in India, particularly in the private sector.

In many cases, local promoters will allow for an early exit policy because they would like to see an experienced foreign partner involved in the operation for the initial period. In view of the advanced and independent judiciary and recent regulatory developments, foreign companies do not hesitate to use this strategy to secure projects. Canadian companies considering projects, particularly in the power, telecommunications or mining sector need to consider this aspect of investment to win projects.

ANOTHER FORMULA FOR SUCCESS IN INDIA IS TO PRESENT A UNITED FRONT OF COMPANIES FROM ONE COUNTRY, SIMILAR TO OUR OWN CANADA MISSIONS.

Strength in numbers

Another formula for success in India is to present a united front of companies from one country, similar to our own Team Canada missions. This approach involves having a group of companies form a consortium to approach clients and address multiple (downline or concurrent) project needs. This enables each company to pursue projects in its field, while complementing the projects of other companies in the consortium.

Working together, these companies can also use a single financing facility, as well as government services and support, and other common key facilities. The "team" approach has proven highly successful on many occasions, particularly when the consortium

Environment

public awareness of environmental ombined with global competition improved enforcement of environ- legislation, makes India an attractive ket for suppliers of environment equipment and services. Opportunities for Canadian exporters exist in the areas of pollution prevention, pollution control, and remediation of air, water and land pollution.

Opportunities also exist in the provision of consulting services, as well as environmental management systems, risk analysis, waste management, sewage treatment, plus hazardous and solid-waste management.

consists of companies of varying sizes and areas of expertise. For many potential clients, this "one-stop shopping" approach is a welcome means of meeting their multiple needs. Such an organized supply-side approach may prove to be a good recipe for success when approaching various sectors in India.

India is open for business on many fronts. A truly diverse nation, for thousands of years this country has managed a remarkably diverse set of people (racially, culturally and linguistically). As such, it affords the prudent supplier or investor the opportunity to gain wide-ranging experience, in addition to realizing lucrative business opportunities.

Mala Iyer and Anis Karim are regional managers for Asia, Africa and Middle East, on EDC's International Markets Team. They can be reached by e-mail at miyer@edc-see.ca or akarim@edc-see.ca.

CANADIAN CAPABILITIES LINK INTO INDIA RAIL OPPORTUNITIES

With over US$16 billion of potential contracts available, the world's largest railway, India Railways (IR), symbolizes massive opportunities in diverse areas of the railway sector for countless Canadian companies.

by Shawn Dalrymple

These opportunities range in scale and scope: from freight cars and locomotives to optic fibre communication systems; from train collision avoidance systems to signaling equipment and system modernization; from simulators to axle load improvements. Moreover, subsidiaries of IR (such as Rail

India Technical & Economics Ltd., India Railways Communications Technologies, and Diesel Locomotive Works, India Railways Construction Ltd.) also have projects presently under consideration, and all are well-suited for many Canadian companies. In particular, IR and its subsidiaries are interested in working with Canadian suppliers as a means of general and safety-related projects technology transfer.

Opening doors for Canadian rail suppliers

In recent years, EDC has developed a strong relationship with IR and many of its subsidiaries. "We recognize the excellent potential prospects that exist in the Indian rail sector, and we have undertaken major initiatives to assist Canadian companies in their efforts to work with IR," explains Anis Karim, EDC Regional Manager, South Asia.

A "team" approach, where the team consists of interested Canadian exporters and relevant Canadian governmental agencies, has been used to maximize Canadian efforts in India. Karim notes that all team members are working towards one goal – winning contracts for Canada's railway industry.

EDC has already established an operational line of credit for IR through its financing arm, Indian Railway Finance Corporation, making the choice to "buy Canadian" more efficient, and therefore more attractive. In addition, EDC is currently in discussion with various directorates of IR to expand EDC financing facilities to accommodate large-scale rail projects.

GM makes tracks in India

GM Canada is one of several companies that has already had the chance to reap the rewards of EDC's efforts and, in particular, with IR.

In addition to the traditional automotive aspect of its business, GM also manufactures and distributes locomotives worldwide. To date, IR has purchased 21 freight cars from GM, through EDC's LOC facility. Attesting to the strength of the relationship, IR is now considering purchasing an additional 10 locomotives from GM.

Kevin McKittrick, Manager of Public Relations and Human Resources with GM Canada, says of GM's relationship with India, "This has been a great opportunity for a Canadian manufacturer to assist in the upgrading of railroad technology and help in the modernizing of fleet requirements in India. GM is proud of the inroads made recently, and is looking forward to a solid relationship with IR in the future."

EDC is committed to helping Canadian rail companies access India rail opportunities. For more information contact Anis Karim, EDC Regional Manager, South Asia, at akarim@edc-see.ca.

INDIA AT A GLANCE

Population: 1 billion
GDP per capita: US$472.0
GDP growth: 7.0 per cent
Inflation: 3.4 per cent
Canadian exports: $389.4 million
Canada's market share: 1 per cent
Current account balance: US$6.5 billion

EDC's position:
Short-term – Good experience.
Medium/long-term – Good experience. Open subject to country guideline.
Political risk insurance – Case-by-case.

Canadian opportunities:
Power, mining, pulp & paper, aviation, telecommunication, information technology, surface transportation, steel, oil & gas, industrial equipment, environmental services.
Capital: Delhi
Language: Hindi
Time difference: EST + 10.5 hours
Currency: Rupees
Business hours: Monday-Thursday 8:30 a.m.-5:30 p.m.; Friday 8:30 a.m.-1:00 p.m.

Who to contact:

Canadian High Commission in India
William Johnston (Delhi)
Senior Counsellor (Commercial)
Tel.: (011-91-11) 687-6500
Fax: (011-91-11) 687-5387
E-mail: bill.johnston@delhi01.x400.gc.ca

DFAIT
Benoit Préfontaine
Deputy Director – India
Tel.: (613) 996-1989
Fax: (613) 996-5897
E-mail: benoit.prefontaine@dfait-maeci.gc.ca
Internet: www.dfait-maeci.gc.ca

CIDA INC
George Wieringa
Program Manager
Tel.: (819) 997-3236
Fax: (819) 953-5024
E-mail: george_wieringa@acdi-cida.gc.ca
Internet: www.acdi-cida.gc.ca

EDC
Contact the EDC regional office nearest you (see listing, inside back cover) or Anis Karim, EDC Regional Manager Asia, Africa & Middle East, (613) 598-2869 or e-mail at akarim@edc-see.ca.

TRAVEL AND TRADE TIPS: INDIA

→ Before boarding the plane to do business in India (featured on p. 22), you may want to consider the following trade and travel tips.

Tips for meetings

Business interaction:

- Conservative and traditional business attire is appropriate.
- Your host will expect you to be on time or early for a meeting. Despite this expectation, it is common to be [illegible]pt waiting.
- In general, men do not touch women [illegible]hen meeting, not even to shake [illegible] Instead, you may use the greet[illegible]ng namasté (pronounced nam-a-stay).
- [illegible] not be offended if your host inter[illegible]s your meeting to take telephone [illegible]: this is a common occurrence.
- [illegible] gifts are frequently given after [illegible] business meeting.
- [illegible]l salutations such as Mr. or [illegible] even after several meetings.
- [illegible] negotiations take patience [illegible] follow-up activity is [illegible]

[illegible]tion:

- [illegible] language and caste create [illegible]rs in India. It is wise to avoid these topics in conversation. The same holds true for discussions of politics and government in general.
- A Western wave of the hand can be interpreted as "no" or "go away" in Indian culture.
- The left hand is considered unclean, so use the right hand to touch someone, pass money or pick up merchandise.
- Never point a single finger at someone; point with your chin or entire hand.
- Bring plenty of business cards; it is customary to exchange them, even at social functions.
- When invited to dinner, you should return the favour with a meal of comparable value.

(Source: Wall Street Journal*, www.public.wsj.com)*

Minimizing time spent in Customs

Business travelers can benefit from having an A.T.A. Carnet – a Customs document that saves valuable time, effort and expense for Canadian businesspersons wishing to temporarily export Canadian goods such as commercial samples, professional equipment and/or for demonstration purposes at fairs and exhibitions in over 56 countries.

The advantage of a Carnet is that all customs documents needn't be prepared for each customs station. Valid for one year, the Carnet can be used for multiple entries in and out of participating countries.

In India, Carnets are accepted for government-sanctioned fairs and exhibitions only. Carnet holders may enter through the ports of Calcutta, Chennai (Madras), Cochin, Delhi and Mumbai (formerly Bombay) only.

Information on Carnets is available at www.chamber.ca/carnet.

Information resources

The International Chamber of Commerce (ICC) produces over 100 useful publications to assist in conducting business internationally.

Among these is *Incoterms 2000*, a guide that describes the terms of commercial contracts so that all parties have a common understanding of their rights and obligations with regards to the delivery of goods. The current edition takes into account the recent spread of custom-free zones, the increased use of electronic communications in business transactions, and changes in transport practices.

Other ICC publications cover such international trade topics as banking practices, international commercial arbitration, international contracts, commercial fraud and joint ventures, advertising, telecommunications and the environment.

ICC publications are available from the Canadian Council for International Business (CCIB). Call (613) 230-5462, ext. 243 or check the Web site at www.ccib.org.

EDC TOOLKIT

→EDC offers a wide range of financial products to Canadian companies and their customers abroad. The following is a summary of these products.

→ CREDIT INSURANCE

Global Comprehensive Insurance (GCI) – protects domestic and/or export accounts receivable against risk from certain events including: default, buyer bankruptcy, repudiation, non-transferability of funds, termination/cancellation of contract, or political disturbances; improves exporter's ability to secure working capital financing from bank.

Export Credit Insurance (ECI) – same as Global Comprehensive except for small businesses.

Documentary Credit Insurance (DCI) – protects Canadian banks against risk of non-payment by foreign bank.

Specific Transaction Insurance (STI) – coverage against contract frustration and non-payment risks for same events as GCI but coverage is limited to one specific contract (cover also available for pre-receivable period, service contracts as well as film and television rights)
.

Sub-supplier domestic and foreign risks – covers sub-suppliers against contract frustration and non-payment risks.

Equipment (political risk insurance) – protects Canadian exporter's equipment at a job site against loss resulting from certain political risks.

→ FINANCING

Direct loan – EDC lends money to foreign corporations and government entities to enable them to buy goods and services from Canadian exporters.

Line of Credit – EDC lends money to a foreign bank that in turn lends to buyers of Canadian goods and services. Provides fast and simple financing for small transactions.

Note Purchase – EDC purchases promissory notes on a non-recourse basis issued by buyer to exporter.

Purchase of receivables – EDC purchases exporter's receivables at a certain fixed discount.

CIBC Grow Export – EDC guarantees 50 per cent of loans made by CIBC to small, knowledge-based companies with specific export contracts.

Leasing – EDC often participates as a debt provider to the lessor.

Equity – assists Canadian companies in securing export opportunities through the provision of medium-term investment capital.

Project finance – used for large infrastructure projects as well as other large projects for which direct guarantee of project sponsor is not available.

Master Accounts Receivable Guarantee (MARG) – allows banks to provide operating lines secured by exporter's foreign accounts receivable.

Small Exporter Guarantee Framework – provides guarantees to Canadian banks for loans made to foreign governments and banks; increases financing options available to Canadian small business exporters by risk-sharing with banks.

Northstar Trade Finance – a public-private sector partnership providing fast and efficient buyer financing for smaller capital goods export transactions.

→ CONTRACT BONDING

Bid Security Guarantee (BSG) – protects banks from any wrongful calls on bank bid letters of guarantee.

Performance Security Guarantee (PSG) – protects banks from any calls on bank performance letter guarantees.

Bid Security Insurance (BSI) – protects exporter from wrongful calls and justified buyer induced rightful calls on bank guarantees if caused by events beyond the exporter's control.

Performance Security Insurance – protects exporter from wrongful calls and justified buyer induced rightful calls on bank guarantees if caused by events beyond the exporter's control.

Surety Bond Reinsurance – indemnifies surety company for an agreed share of contract surety bond liability should a claim payment be made due to exporter contract performance default.

Direct Surety Bond Support – as either the issuing surety of by providing 100 per cent indemnity reinsurance coverage to fronting surety, EDC assumes full liability for contract surety bond issued to buyer as security against exporter contract performance default.

Political Risk Insurance (PRI) – protects Canadian investors against political risks on projects of benefit to Canada.

LINES OF CREDIT

EDC offers many forms of export financing to facilitate the purchase of ...adian goods and services by ... in export markets.

...e facilities fall into two ...d categories: supplier credit and buyer credit financing. One example of supplier credit ... a note purchase agree- ...nder such an agreement, ...chases from an exporter ...f promissory notes issued ...reign buyer to the exporter ... sale of goods or services. ... credit financing includes ... and lines of credit. ...an ... are a financing ...gement between EDC and a ... or a borrower on behalf of ... for a predetermined trans-...tion. Loans usually involve large ...ctions with long repayment ...

Lines of credit are a streamlined form of financing in which EDC ...nds money to a foreign bank, ...nstitution or buyer, which then onlends the necessary funds to ...ign buyers of Canadian goods ... services. Interest rates, repayment terms and other details ... prearranged between EDC and the foreign borrower, which speeds up turnaround time. Transactions supported under lines of credit are usually valued at between US$50,000 and US$5 million. EDC currently has 53 lines of credit, providing one form of access to export financing for buyers in some 27 countries.

Listed below are the details and contacts for the lines of credit which exporters have found most useful.

It is important to note that:

- **EDC's financing and insurance services extend beyond countries in which EDC has established lines of credit.**
- **These lines of credit are one of several ways in which EDC will do business in these markets.**
- **If you are thinking about exporting but have never used one of EDC's lines of credit, it is wise to contact EDC as early as possible.**

For more information on how EDC export financing can help you close a deal abroad, contact the regional office nearest you by calling 1-888-332-3777.

Categories: Overseas Area Code = 011 / 1 – Borrower / 2 – ...amount /3 – Repayment terms / 4 – Buyers' contact with ... /5 – Borrowers' contact in North America

...nes of Credit

...co, Central & South America

...ndean Pact – Bolivia, Colombia, Ecuador, Peru and Venezuela

...icion Andina de Fomento (CAF)

Mr. Carlos Romero (Venezuela)
Public Sector
Tel.: 582-209-2183
Fax: 582-209-2463
cromero@caf.com

Ms. Blanca Alarcón, Private Sector
Tel.: 582-209-2379
Fax: 582-209-2433
balarcon@caf.com

Argentina

1) **Banco Francés**
2) US$10 million
3) 2, 3, 5 or 7 years
4) Mr. Raul Genou, Regional Manager
North America and Asia Pacific
Tel.: 5411-4346-4326/4000 (ext. 1893)
Fax: 5411-4346-4337

1) **Pan American Energy (Argentina Branch)**
2) US$50 million
3) 3 to 8.5 years
4) Mr. Juan Carlos Scaglia
Tel.: 5411-4310-4337
Fax: 5411-4310-4367
jscaglia@pan-energy.com

1) **Telecom Argentina STET-France Telecom S.A.**
2) US$72.1 million
3) 3 to 8.5 years
4) Mr. Ricardo Lospinnato, Manager
Financial Operations
tsilveyr@ta.telecom.com.ar
Ms. Carolina Campos, Financial Operations
Tel.: 5411-4968-3917
Fax: 5411-4312-9472
ccampo1@ta.telecom.com.ca

1) **Telefónica de Argentina S.A.**
2) US$100 million
3) 3 to 8.5 years
4) Mr. Juán López Basilvaso
Director of Finance
Ms. Antonieta Martino/
Mr. Raul H. Rolandi, Finance
Tel.: 5411-4325-0190
Fax: 5411-4325-1920
rolandir@telefonica.com.ar

1) **Total Austral S.A.**
2) US$50 million
3) 2 to 8.5 years
4) Mr. Alain Petitjean, Financial Controller
Tel.: 5411-4346-6621
Fax: 5411-4346-6697
alain.petitjean@total.com
5) Mr. Carlos A. Coccioli, Treasurer
Tel.: 5411-4346-6623
Fax: 5411-4346-6697
carlos.coccioli@total.com

1) **Transportadora de Gas del Norte S.A.**
2) US$5 million
3) 2 to 5 years
4) Mr. Orlando Paolini
Tel.: 5411-4959-2167
Ms. Dora Zapolski
Tel.: 5411-4959-2002
Fax: 5411-4959-2110

1) **YPF, S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Enrique Waterhouse/
Ms. Dora E. Acosta Vásquez
Tel.: 5411-4329-5685
Fax: 5411-4329-5838
ewaterho@email.ypf.com.ar

Argentina, Brazil, Colombia and Uruguay

1) **BankBoston**
2) US$25 million
3) 2 to 8 years
4) Mr. Julio Laffaye, Trade Finance Manager
International Services (Argentina)
Tel.: 5411-4346-2112
Fax: 5411-4346-3209/343-7303

Mr. Sergio Schirato (São Paulo)
Tel.: 5-511-3881-6415
Fax: 5-511-3881-6430

Mr. Miguel de Pombo (Bogotá)
Tel.: 571-313-2255/3455
Fax: 571-313-3536

Mr. José Baniela (Montevideo)
Tel.: 598-296-0127
Fax: 598-296-2209

5) Mr. David Ames, Assistant Vice-President
International Corporate Finance
Tel.: 617-434-5178
Fax: 617-434-1188

Brazil

1) **Banco do Brasil**
2) US$25 million
3) up to 5 years
4) Mrs. Rosana Porto Feirosa
Tel.: 55-11-3066-9021
Fax: 55-11-3066-9029

1) **Petrobrás**
2) US$15 million
3) up to 5 years
4) Mr. Hernani Fortuna
Head, Investment Finance
Tel.: 5-521-534-1450
Fax: 5-521-534-4278

1) **Unibanco – União de Bancos Brasileiros**
2) US$15 million
3) 2, 3, 4 or 5 years
4) Ms. Silvia Nucci
Manager International Relations/
Ms. Patricia Urbano
Manager, Corresponding Banking
Tel.: 5-511-867-1684/4321/1900
Fax: 5-511-815-4484/814-0528/867-1689
5) Mr. Durval Araujo (New York)
Tel.: 212-207-9426
Fax: 212-754-4872

Mr. Marcos Pereira (Miami)
Tel.: 305-372-0100
Fax: 305-350-5622

Colombia

1) **Banco Cafetero**
2) US$10 million
3) up to 8.5 years
4) Mr. Luis Hernando Manrique
Head Special Lines Department
Tel.: 571-341-1511 (ext. 3700)
Fax: 571-284-2097/286-8893

1) **Cementos del Caribe**
2) US$5 million
3) up to 5 years
4) Mr. Ernesto Ritzel, Treasurer
Tel.: 575-355-6069
Fax: 575-355-9829
eritzel@caribe.com.co

Chile

1) **Codelco**
2) US$70 million
3) 5 years
4) Mr. José Antonio Alvarez
Vice President Finance
Tel.: 562-690-3648
Fax: 562-690-3669

Honduras, Costa Rica, El Salvador, Guatemala and Nicaragua

1) **Central American Bank for Economic Integration (CABEI)***
2) US$20 million
3) 5 years
4) Mr. Carlos Mairena (cmairena@bcie.hn)
Mr. Oscar Borjas (oborjas@bcie.hn)
(Tegucigalpa, Honduras, Headquarters)
Tel.: 504-228-2182/2134
Fax: 504-228-2135

Lic. Ronald Martinez Saborío
Mr. Dennis Sánchez Acuña (Costa Rica)
Tel.: 506-253-9394
Fax: 506-253-2161
dsanchez@bcie.org

Mr. Roberto Pereira
(El Salvador)
Tel.: 503-260-3335
Fax: 503-260-3276
framirez@bciesv.bcie.hn

Lic. Luis Fernando Andrade (Guatemala)
Tel.: 502-332-6428
Fax: 502-331-1457
jmdiaz@bciegt.bcie.hn

Ing. Roger Arteaga Cano (Nicaragua)
Tel.: 505-266-4120 to 4123
Fax: 505-266-4143/4125
mbuitrag@bcie.org

* CABEI is closed to new projects in the public sector/Government of Nicaragua.

Mexico

1) **Banca Serfin, S.A.**
2) US$20 million
3) 5 years
4) Mr. José Carrassó Arnaiz
Vice-President, International Division
Tel.: 525-512-1009
Fax: 525-625-5613
5) Mrs. Paloma Healey
Tel.: 416-360-8900
Fax: 416-360-1760

1) **Bancomer, S.A.**
2) US$75 million
3) 5 to 8 years
4) Ms. Cecilia Sáenz y Sáenz
Vice-President, Import Financing
Tel.: 525-621-3861/3491
Fax: 525-621-4758

1) **Banco Nacional de Comercio Exterior, S.N.C. (Bancomext)**
2) US$125 million
3) 5 to 8 years
4) Ms. Rosa María Solís, Vice-President International Banking, North America
Tel.: 525-481-6051
Fax: 525-481-6076/6077
5) Mr. Marco Espinosa
Trade Commissioner of Mexico (Toronto)
Tel.: 416-867-9292
Fax: 416-867-1847

1) **Banco Nacional de México, S.A. (Banamex)**
2) US$125 million
3) 5 to 10 years
4) Ms. Mariana Lerdo de Tejeda Sánchez
Comercio Exterior
Tel.: 525-720-7077
Fax: 525-720-7315
5) Mr. Joseph Clarke (New York Office)
Tel.: 212-303-1431
Fax: 212-303-1470
jclarke@banamex.com

1) **Banco Nacional de Obras y Servicios Públicos, S.N.C. (Banobras)**
2) US$20 million
3) 5 to 8 years
4) Lic. Abelardo Bravo Herrera, Gerente Operaciones Bancarias Internacionales
Tel.: 525-723-6000
Fax: 525-723-6235

1) **Comisión Federal de Electricidad (CFE)**
2) US$50 million
3) 5 to 8 years
4) Mr. Ramón Benitez Galarza
Head, Credit Operations Department
Tel.: 525-705-0571/229-4502
Fax: 525-229-4703
rbg84069@cfe.gob.mx

1) **Hylsa, S.A. de C.V.**
2) US$20 million
3) 5 years
4) Mr. Manuel Moguel, Treasury
Tel.: 528-328-1220
Fax: 528-328-1885
mmoguel@hylsamex.com.mx

1) **Nacional Financiera, S.N.C. (Nafin)**
2) US$28 million
3) 5 to 8 years
4) Mr. Jorge Muñoz Cuevas
Manager Bilateral Financing
Tel.: 525-325-7022/7023
Fax: 525-325-6496

1) **Petroleos Mexicanos (Pemex)**
2) US$50 million
3) 3 to 10 years
4) Ing. Eduardo Ito
Deputy Manager, Trade Finance
Tel.: 525-250-6478
Fax: 525-254-1896
jenito@dcf.pemex.com
5) Mr. Alberto Hinojos, Vice President
Finance and Administration
Tel.: 713-430-3110
Fax: 713-430-3312
ahinojos@itsinc.com

1) **Teléfonos de México, S.A. de C.V. (Telmex)**
2) US$100 million
3) 3 to 7 years
4) Mr. Gustavo León Méndez, Treasury
Tel.: 525-222-1153/1154
Fax: 525-203-5972
glmendez@telmex.net

Peru

1) **Banco Wiese Ltdo.**
2) US$15 million
3) 2 to 5 years
4) Mr. Eduardo Lizarzaburu Cuba
Financing Intermediation Division
Tel.: 511-428-6000
Fax: 511-426-9414
elizarzaburu@wiese.com.pa
Mr. Javier Román
Tel.: 511-426-6231
Fax: 511-428-3163
jroman@wiese.com.pa

Trinidad & Tobago

1) **Central Bank of Trinidad & Tobago**
2) US$15 million
3) up to 8.5 years
4) Ms. Cara Mae Farmer
Manager, Banking Operations
Tel.: 868-625-4835/623-4715
Fax: 868-625-2468
cfarmer@central_bank.org.tt

Venezuela

1) **BARIVEN, S.A./Petróleos de Venezuela, S.A. (PDVSA)**
2) US$50 million
3) 2 to 8.5 years
4) Jesús Bello, Finance
Tel.: 582-201-4761
Fax: 582-201-4605
5) Mr. Philip Limon, Trade Financial Analyst
PDVSA Services, Inc. (Houston, Texas)
Tel.: 281-588-6406
Fax: 281-588-6287
lemonp@pdvsa.com
fnt1h@psi.pdv.com

Africa & Middle East

Algeria

1) **Banque Algérienne de Développement (BAD)**
2) US$100 million
3) 3 or 5 years
4) Mr. Saddek Alilat, Director
Tel.: 213-2-677-583/4/5
Fax: 213-2-674-241

1) **Sonatrach**
2) US$70 million
3) 3 or 5 years
4) Mr. K. Benaoude
Tel.: 213-2-69-3308
Fax: 213-2-60-5322

Egypt

1) **United Bank of Egypt**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Atef Eldib, Executive Manager
Credit and Marketing Department
Tel.: 011-202-792-0149
Fax: 011-202-792-0153

Israel

1) **Bank Hapoalim B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Yona Rosenberg
Foreign Trade Department
Tel.: 972-3-567-3424
Fax: 972-3-567-4548

1) **Bank Leumi Le-Israel B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Liorah Tidhar, First Vice-President
Trade & Project Finance
Tel.: 972-3-514-7373
Fax: 972-3-514-7865

1) **United Mizrahi Bank Limited**
2) US$10 million
3) 3, 5 or 7 years
4) Mr. Chana Chefer, Foreign Trade Department
Tel.: 972-3-567-9011
Fax: 972-3-567-9028

Lebanon

1) **Byblos Bank SAL**
2) US$10 million
3) up to 8.5 years
4) Mr. Laurent J. Hawath
Tel.: 961-335-200
Fax: 961-338-430
byblosbk@byblosbank.com.lb

1) **Credit Libanais SAL**
2) US$10 million
3) 3 to 8.5 years
4) Mr. George Khouri
Tel.: 961-158-2390
Fax: 961-160-2615

South Africa

1) **First National Bank of Southern Africa Limited/Rand Merchant Bank**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Willie Coetzee
International Project Finance
Tel.: 2711-282-8369
Fax: 2711-282-8318
willie-coetzee@rmb.co.za

1) **Industrial Development Corporation of South Africa/Impofin (Pty) Limited**
2) US$15 million
3) 3 to 8.5 years
4) Mr. Leon Potgieter, Deputy General Manager, Industrial Development Corporation of South Africa Ltd.
Tel.: 2711-269-3266
Fax: 2711-269-3121
leonp@idc.co.za

1) **Nedcor Bank Ltd.**
2) US$10 million
3) 3 to 8.5 years
4) Mr. David N. Fienberg, Head
International Finance Unit
Tel.: 2711-630-7444
Fax: 2711-630-7146

1) **The Standard Bank of South Africa Limited**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Gerald Nolan
Senior Manager, International Finance
Tel.: 2711-636-5062
Fax: 2711-636-3181
nolang@scmb.za

Tunisia

1) **Ministry of International Cooperation and Foreign Investment**
2) US equivalent of Cdn$100 million
3) up to 10 years
4) Mr. Abdelhamid Bouhawala
Tel.: 216-1-798-522
Fax: 216-1-799-069
bo@mci.gov.tn

West Bank and Gaza Strip

1) **Egyptian Arab Land Bank**
2) US$3 million
3) up to 5 years
4) Mr. Fouad Jabr, General Manager
Tel.: 972-2-298-5958
Fax: 972-2-298-5958

Europe

Estonia

1) **Hansa Leasing**
2) US$4 million
3) 5 years
4) Mr. Raul Rukis, Manager, Funding and Foreign Relations Department
Tel.: 372-6-131-805
Fax: 372-6-131-379
raul.rukis@hansa.ee

Turkey

1) **Turk Exim Bank**
2) US$50 million
3) 3 to 7 years
4) Mr. Ertan Tanriyakul
Assistant General Manager
Tel.: 90-312-425-6504
Fax: 90-312-425-2947
ogunduz@eximbank.gov.tr

Ukraine

1) **State Export Import Bank of Ukraine**
2) Cdn$20 million
3) 3 to 10 years
4) Ms. Tetyana M. Kutuzova
Head of Department
Tel.: 380-44-247-8925/26
Fax: 380-44-247-8928/8082
Telex: 131258 RICA

Asia & Pacific

China, People's Republic of

1) **Bank of China**
2) US$200 million or its equivalent in Cdn. or other acceptable foreign currencies
3) up to 10 years
4) Ms. Liu Huijun, Treasury Department
Tel.: 86-10-6601-6688 ext. 4104
Fax: 86-10-6601-4037

1) **Bank of Communications**
2) US$25 million
3) up to 10 years
4) Ms. Liu Ganghua, Credit Department
Tel.: 86-21-6275-1234 ext. 2343
Fax: 86-21-6275-1363

1) **China Construction Bank**
(previously People's Construction Bank of China)
2) US$100 million
3) up to 10 years
4) Mr. Yu Hui, Project Manager
Project Finance Division
Tel.: 86-10-6759-8555
Fax: 86-10-6759-8549

1) **Industrial and Commercial**
Bank of China
2) US$25 million
3) up to 10 years
4) Ms. Qin Lei, International Finance Division, International Department
Tel.: 86-10-6610-6022
Fax: 86-10-6610-6038

Indonesia

1) **P.T. Indah Kiat Pulp & Paper Corp.**
2) US$25 million
3) 3 to 10 years
4) Mr. Paulus Lucas
Assistant Manager, Finance
Tel.: 62-21-392-9266
Fax: 62-21-392-6179
paulus_lg@app.co.id

1) **P.T. Pabrik Kertas Tjiwi Kimia**
2) US$10 million
3) 3 to 10 years
4) Mr. Paulus Lucas
Assistant Manager, Finance
Tel.: 62-21-392-9266
Fax: 62-21-392-6179
paulus_lg@app.co.id

1) **P.T. Lontar Papyrus Pulp & Paper Industry**
2) US$20 million
3) 3 to 10 years
4) Mr. Paulus Lucas
Assistant Manager, Finance
Tel.: 62-21-392-9266
Fax: 62-21-392-6179
paulus_lg@app.co.id

Sri Lanka

1) **Private Sector Infrastructure Development Company Limited**
2) US$25 million
3) up to 10 years
4) Mr. Leel Wickremarachchi
General Manager/CEO
Tel.: 941-346-385
Fax: 941-346-383
leel@psidc.com

CANADA'S PRODUCTIVITY [illegible]ARADOX

[illegible]paring Canada's economy to the U.S. economy is like [illegible]ring apples to oranges. **by Stephen S. Poloz**

Canadian businesses are often crit[illegible]ized for investing too little and being slow to adopt the latest technology. It is implied that this is why [illegible] have not experienced the [illegible]luctivity miracle" as our American [illegible]nd why our living standards are [illegible]

[illegible]lifficult to reconcile with the fact [illegible]xport sector is very strong. [illegible]cent global export forecast in[illegible]tes that [illegible]anada's share of total world exports this year will reach 1984-85 levels, the [illegible]lobal boom. EDC's Trade Confidence Index, based on a semi-annual survey of over 500 exporting companies, was a record 85 per cent last spring. This suggests that the links between investment, productivity growth and international competitiveness deserve a closer look.

To begin, it is important to remember that the Canadian and U.S. economies are not the same, and consequently should not be expected to exhibit the same behaviour. For example, Canada's share of GDP due to the resource sector is approximately double that of the United States. Canada also has a larger government sector. In the U. S. manufacturing sector, the weight taken by industrial, electrical and electronic equipment is more than double in comparison to Canada. In fact, the U.S. "productivity miracle" has been concentrated in these equipment sectors, driven by the information technology revolution. While Canada has some world-class companies in those sectors, their share of the total economy is smaller. Meanwhile, Canada's productivity growth outperformed the United States in 11 out of 17 other manufacturing sectors during 1990-97 (the latest data available).

Nevertheless, Canadian investment spending (as a share of total spending in the economy) has tended to lag the United States, especially during 1983-86 and 1992-95. Industrial composition may be part of the story, but the profit-maximizing dynamics of investment may differ as well.

For example, in the mid-1980s, U.S. companies were spurred into aggressive productivity-enhancing restructuring by the rise of the U.S. dollar to stratospheric heights. At that time, it made little sense for Canadian companies to do likewise because the Canadian dollar was declining and Canadian exports were booming. These seem like poor conditions in which to shut down operations to install some new capital equipment, especially when the depreciating dollar was boosting the cost of imported machinery for Canadian companies. Canada's investment spurt began later, during 1987-89. The Canadian dollar turned up, boosting the incentive to restructure and reducing the cost of imported equipment.

This lag/catch-up cycle repeated itself in the 1990s: Canadian investment spending slackened during the first half of the 1990s, even as U.S. investment was surging. Once again, the Canadian dollar was depreciating, but an investment catch-up phase took place in Canada after the dollar stabilized in 1995-96. The implications of the most recent period of Canadian dollar weakness have yet to play out.

Although exchange rate fluctuations can alter the optimal timing of investment spending by Canadian companies, the effect is usually temporary. Canadian companies are selling to a knowledgeable and sophisticated global marketplace. Foreign buyers are well aware when currencies have moved in favour of a Canadian supplier, and are quick to demand a price cut in response. Their ability to shop the world – nowadays electronically – means buyers can easily move their orders to the least expensive market. The corollary is that any competitive advantage and boost to exports conferred by a soft currency is also temporary.

The implication is that Canada's overall productivity performance is very likely to improve during the next couple of years, as the fruits of our 1996-99 burst in investment are realized. These differences in industrial structure and optimal investment dynamics go a long way toward explaining Canada's productivity paradox.

Stephen Poloz is EDC's Chief Economist. He can be reached at spoloz@edc-see.ca.

CONTACTS

EDC SEE

Head Office
151 O'Connor
Ottawa, Canada
K1A 1K3

Tel.: (613) 598-2500
Fax: (613) 237-2690

www.edc.ca

Smaller exporters – companies with annual export sales of up to $1 million – can contact our team of specialists at **1-800-850-9626**

If your export sales exceed $1 million annually, call any one of EDC's regional offices at **1-888-332-3777**

Western Canada

Jim Christie
Regional Vice-President
jchristie@edc-see.ca

Vancouver Office
Suite 1030, One Bentall Centre
505 Burrard Street
Box 58
Vancouver, B.C. V7X 1M5
Tel.: (604) 638-6950
Fax: (604) 638-6955
Blair Wilson
Business Development Manager
bwilson@edc-see.ca

Winnipeg Office
Commodity Exchange Tower
Suite 2075
360 Main Street
Winnipeg, Manitoba R3C 3Z3
Tel.: (204) 983-5114
Fax: (204) 984-0163
Lewis Megaw
Business Development Manager
lmegaw@edc-see.ca

Calgary Office
Home Oil Tower
Suite 606
324-8th Avenue S.W.
Calgary, Alberta T2P 2Z2
Tel.: (403) 537-9800
Fax: (403) 537-9811
Bruce Stanton
Business Development Manager
bstanton@edc-see.ca

Edmonton Office
Suite 905
10010-106th Street
Edmonton, Alberta T5J 3L8
Tel.: (780) 495-2286
Fax: (780) 495-2346
Karen Goss
Business Development Manager
kgoss@edc-see.ca

Ontario

Ruth Fothergill
Regional Vice-President
rfothergill@edc-see.ca

Toronto Office
Suite 810
150 York Street
P.O. Box 810
Toronto, Ontario M5H 3S5
Tel.: (416) 640-7600
Fax: (416) 862-1267

Toronto Office (cont'd)
Laura Gainer
Business Development Manager
lgainer@edc-see.ca
David Little
Business Development Manager
dlittle@edc-see.ca

Ottawa Office
151 O'Connor Street
Ottawa, Ontario K1A 1K3
Tel.: (613) 597-8523
Fax: (613) 598-6858
Hal Miller
Business Development Manager
hmiller@edc-see.ca

London Office
Suite 1512
148 Fullarton Street
London, Ontario N6A 5P3
Tel.: (519) 963-5400
Fax: (519) 963-5407
Lillian Gagnon
Business Development Manager
lgagnon@edc-see.ca

Quebec & Atlantic Canada

Henri Souquières
Regional Vice-President
hsouquieres@edc-see.ca

Montreal Office
Suite 4520
800 Victoria Square
P.O. Box 124
Tour de la Bourse
Montreal, Quebec H4Z 1C3
Tel.: (514) 908-9200
Fax: (514) 878-9891
Françoise Faverjon-Fortin
Business Development Manager
ffaverjon-fortin@edc-see.ca

Halifax Office
Purdy's Wharf Tower II
Suite 1410
1969 Upper Water Street
Halifax, Nova Scotia B3J 3R7
Tel.: (902) 429-0426
Fax: (902) 423-0881
David Surrette
Director of Business Development, Atlantic Canada
dsurrette@edc-see.ca

Moncton Office
735 Main Street
Suite 400
Moncton, N.B. E1C 1E5
Tel.: (506) 851-6066
Fax: (506) 851-6406
Charles Gaudet
Business Development Manager
cgaudet@edc-see.ca

St. John's Office
90 O'Leary Avenue
St. John's, Nfld. A1B 2C7
Tel.: (709) 772-8808
Fax: (709) 772-8693
Darrell Spurrell
Business Development Manager
dspurrell@edc-see.ca

EDC Regional Representation

MEXICO
Calle Schiller 529
Rincón del Bosque
Colonia Polanco
México, D.F. 11560
MEXICO
Tel.: 011-525-387-9316
Fax: 011-525-387-9317
Marvin Hough
Regional Director for Mexico & Central America
mhough@edc-see.ca

BRAZIL & SOUTHERN CONE
Torre Norte
Av. das Nações Unidas 12901
Sala 1127
04578-903 – São Paulo
SP – BRAZIL
Tel.: 011-5511-5509-3456/3452
Fax: 011-5511-5509-8701
Claudio Escobar
Regional Director for Brazil & Southern Cone
cescobar@edc-see.ca

CHINA
c/o Canadian Embassy
19 Dongzhimenwai Street
Chaoyang District
Beijing, 100600
China
Tel.: 86-10-6532-3536 ext. 3357
Fax: 86-10-6532-4072
Alison Nankivell
Regional Director for China
anankivell@edc-see.ca

Other organizations that help exporters

Alberta Opportunity Company
1-800-661-3811
www.aoc.gov.ab.ca

Alliance of Manufacturers and Exporters Canada
(613) 238-8888
(416) 798-8000
www.the-alliance.org

Atlantic Canada Opportunities Agency
1-800-561-7862
www.acoa.ca

BC Trade and Investment Office
Tel: (604)-844-1900
www.ei.gov.bc.ca

Business Development Bank of Canada
1-888-463-6232
www.bdc.ca

Canada-B.C. Business Service
1-800-667-2272
www.sb.gov.bc.ca

Canadian Commercial Corporation
1-800-748-8191
www.ccc.ca

Manitoba Trade & Investment Corp.
(204) 945-2466
www.gov.mb.ca

NorthStar Trade Finance
1-800-663-9288
www.northstar.ca

Ontario Exports Inc.
1-877-46TRADE (8-7233)
www.ontario-canada.com/export

Saskatchewan Trade & Export Partnership
(306) 787-9210
www.sasktrade.sk.ca

The Business Link
1-800-272-9675
www.cbsc.org/alberta

Trade Team Canada – Export Info
1-888-811-1119
www.exportsource.gc.ca

Trade Team P.E.I.
(902) 368-6300
www.peibusinessdevelopment.com

Western Economic Diversification
1-888-338-9378
www.wd.gc.ca

Canada

EXPORTWISE

er/December 2000

Published by Export Development Corporation

ALSO

→ **JAPAN: THE TIME IS NOW**

Growth projected for Japan's agri-food, residential construction, and environmental technology industries

→ **ECONOMYWISE**

Commodity prices in a high-tech world

IS THE SERVICE INDUSTRY CANADA'S NEXT GOLD MINE?

Exporting expertise: from engineering, to construction, to health care expertise, Canadian companies like Interhealth Canada are mining for gold in the service sector

Interhealth Canada's **Christine Anderson**, **Skip Schwartz**, **John Gillberry** and **John Bingham** are building a unique brand in international health care delivery

CONTENTS

WINTER/
DECEMBE
2000

INDUSTRY FEATURE

8 CANADA'S SERVICE SECTOR EXPORTS ITS EXPERTISE

[illegible] engineering, to construction, to health care expertise, Canadians are mining for gold in the service sector.

GEOGRAPHIC FEATURE

16 JAPAN: THE TIME IS NOW

[illegible] restructuring, and Japan's growing public demand [illegible] titively priced, value-added products, are opening [illegible] a greater number of Canadian suppliers.

18 Japan: economic overview
22 [illegible]high Entertainment breaks into Japan's service sector
22 Japan at a glance
23 Travel & trade tips: business meetings, contract negotiations

1 FROM EDC'S PRESIDENT
Making a difference

2 GUEST COLUMN
International anti-corruption developments

3 INSIDE TRACK
3 Global export forecast | **4** Export Ease Plus | **4** Canada Export Award winners | **4** EDC regional offices | **4** Agri-food industry targets NAFTA | **5** Think your U.S. deals are risk-free? | **5** i Trade | **6** Success tips for exporters | **6** Letters to the Editor

7 CASE STUDY
Field of dreams: Field Aviation takes international flight

15 CASE STUDY
Unibroue exports a taste of Quebec

24 INTER.NET.WORKING
Web sites related to geographic feature this issue: Japan

25 EDC TOOLKIT

26 LINES OF CREDIT

28 ECONOMYWISE
Commodity prices in a high-tech world

29 EDC CONTACT LIST

[illegible]

MAKING A DIFFERENCE

Time and again, the United Nations has chosen Canada as the best country in the world — not the mightiest or the wealthiest, but the best place to live, work and raise a family.

I believe that this vote of confidence is a tribute to Canadians' collective traits and values, particularly our determination, creativity and tolerance. In our growing global economy, Canadians have much to share with the world, well beyond our resources, goods and services. As EDC bears witness every day, Canadians have unique talents and enduring values to bring to our foreign trading partners.

As a public corporation, EDC's mandate is about helping Canada grow and prosper as a nation by increasing our global trade competitiveness. This prosperity is fundamental to EDC's corporate vision. And while it is often taken for granted, this prosperity is also fundamental to Canada's social advancement and environmental preservation.

At the same time, EDC operates as a successful business and an integral part of society. As such, we are working alongside other leading businesses who are increasingly committed to corporate social responsibility (CSR) practices. These encompass policies and actions that promote employee satisfaction and growth, ethical business behaviour, social and environmental improvements and public accountability, among others.

For EDC, these responsibilities include: ensuring our employees, directors and officers comply with our Code of Business Ethics; considering environmental and social impacts of the exports and foreign investments we facilitate; supporting a cause of choice (namely, education and youth employment in the field of international trade) and reporting these actions to our various publics, including you — our valued customers.

Indeed the evidence is mounting that by applying CSR, companies create mutual success for their businesses and their communities. According to a Conference Board of Canada study, 60 per cent of Canadians say they have chosen to do business with one firm over another because it was more socially responsible than its competitors. A recent comparative analysis showed that between 1994 and 1999, companies on the Dow Jones Sustainability Group Index outperformed those on the Dow Jones Global Index by 15 per cent. In other words, you can do well by doing the right thing.

60 PER CENT OF CANADIANS SAY THEY HAVE CHOSEN TO DO BUSINESS WITH ONE FIRM OVER ANOTHER BECAUSE IT WAS MORE SOCIALLY RESPONSIBLE

At EDC, we continuously seek ways to strengthen our responsibilities to our various publics — from our own employees who are the heart and soul of EDC; to our customers, without whom we would not exist; to the Canadian community at large. I truly believe that if we would like to maintain Canada's status as "the best country in the world to live in," we all have a responsibility to make a positive difference to our society — a difference that reverberates around the globe!

A. Ian Gillespie

A. Ian Gillespie
President and Chief Executive Officer
EDC

(Editor's note: for detailed information on EDC's CSR activities, please visit www.edc.ca/corpinfo/csr or request a printed brochure by calling 1-888-641-9214.)

ANTI-CORRUPTION

DEVELOPMENTS HELP LEVEL THE INTERNATIONAL PLAYING FIELD

HAVE YOU EVER FELT DISADVANTAGED OVERSEAS BY UNSCRUPULOUS INTERNATIONAL RIVALS USING BRIBERY AS A MARKETING TOOL? HELP IS FINALLY AT HAND. **by P.K. Pal**

All 29 OECD countries are now bound by a Convention prohibiting the bribery of foreign public officials. That considerably "levels the playing field" for Canadian exporters. In addition, five non-OECD member nations (Argentina, Brazil, Chile, Bulgaria and Slovakia) have voluntarily agreed to be equally bound. Canada's ratification of that Convention took the form of a new statute — the *Corruption of Foreign Public Officials Act* — which makes such corruption a criminal offence in Canada.

Another important milestone in the campaign against international corruption includes Canada's recent ratification of the *Inter-American Convention Against Corruption*, a powerful treaty which requires signatory countries to create, maintain and strengthen vigorous standards of anti-corruption and public integrity, along with enforcement mechanisms.

Canadian exporters have good reason to welcome these two Conventions, coupled with worldwide activism being led by organizations such as Transparency International, and by major international institutions such as the World Bank and the IMF. These developments indicate that the international trade "playing field" is indeed slowly but surely being levelled.

However, Canadian exporters have a crucial obligation in this levelling process. First, before one can demand compliance from others to these new Conventions, one must already be compliant oneself. It is the age-old legal requirement of "coming to court with clean hands". Canadian exporters will need to be more vigilant than ever in monitoring their international operations and the employees involved (and, especially, their agents) in the pursuit of market strategies and economic objectives.

A Canadian exporter faces criminal conviction for breach of the new Canadian law, a calamity of unthinkable proportions for its future business. But even an allegation could impose heavy tolls on corporate reputation, as well as on the time and energy of its senior management. One only has to look at the Talisman case to appreciate these tolls, and that case did not involve corruption.

A second, but equally important, role for Canadian exporters will be to bring complaints to Canadian authorities of corruption practiced by competitors from OECD or OAS countries, so that diplomatic intervention can be considered. While direct sanctions may not result, the "noise" generated by such complaints will be a deterrent to bribe-givers as well as bribe-takers.

An important consequence of all this is that Canadian exporters must reassess their internal due diligence processes and alert employees and agents to any changes. Compliance is the end-product of good governance in business, and good governance in turn is the end-product of corporate social responsibility, at home and abroad.

(Editor's note: EDC supports international efforts to combat the corruption of public officials, such as the adoption of the Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions *by the OECD, and domestic legislation such as the* Corruption of Foreign Public Officials Act. *EDC is strengthening its procedures in this regard and this involves new requirements for its customers in respect of their transactions with EDC. EDC will make public its specific anti-corruption initiatives early in the year 2001.)*

P. K. Pal is Corporate Governance Counsellor with the Ottawa law firm, Flavell Kubrick. He served on the Organizing Committee of the recently held International Institute of Public Ethics Conference in Ottawa and is a Director of Transparency International's Canadian chapter. To contact Mr. Pal, e-mail pkpal@total.net.

INSIDETRACK

EDC news and events

Global Export Forecast

by Stephen S. Poloz

Canadian exporters had a banner year in 2000. Export volumes are expected to increase by 10 per cent, as predicted in our spring forecast. However, oil prices have been much higher than expected, and export revenue growth will be almost 18 per cent as a result.

The best news is already behind us, however. The world economy is moderating, and Canadian exporters are already seeing the effects. EDC's Trade Confidence Index has eased back to 82.1 from 85.3 per cent six months ago. This modest pullback means that exporters remain very confident about the future, but not as bullish. This reading is consistent with our latest forecast, which is for global GDP growth to exceed 4.5 per cent this year and then to moderate to about four per cent in 2001. This would represent a sustainable growth plateau for the world. One implication of this view is that non-energy commodity prices will be flat to soft in the next six to 12 months.

THE PERSISTENCE OF HIGHER OIL PRICES RAISES A MAJOR ISSUE FOR THE WORLD ECONOMY

The persistence of higher oil prices raises a major issue for the world economy. We expect prices to continue to drift lower, hitting the mid-$20 range in 2001. However, if prices remain above $30, then the odds of a steeper slowdown in world economic growth will increase significantly.

With global economic growth expected to moderate, and the Canadian dollar expected to appreciate somewhat during the next six months, we are expecting export volumes to grow by a less stellar six per cent in 2001. Price rises should be much more moderate next year, pointing to export revenue growth of approximately eight per cent in 2001.

Sectorally, most resource exporters should see continued good pricing along with increasing volumes. Technology-based exports are forecast to continue to be growth leaders, with telecom sales growing by 75 per cent during 2000-01, and aerospace sales by 50 per cent over the same two years. Agri-food exports should also post double-digit growth in 2001. Taken together, these sources of strength will more than offset the softening of exports of automobiles and other consumer goods, a trend that emerged as expected this year and will continue into next year.

This is a brief overview of the most recent update of EDC's Global Export Forecast, prepared by EDC economists. To access the full report: www.edc-see.ca/prodserv/economics.

[illegible]xport Ease Plus: [illegible]onvert foreign [illegible]ccounts receivable into cash

[illegible]onable fee, exporters can sell their [illegible]ccounts receivable to Montcap and [illegible]fforts on what they do best – finding [illegible]nd filling orders," says Cynthia [illegible]d, Vice-President of Montcap Financial [illegible].

[illegible]s explaining a key benefit of [illegible] Plus, a new program developed [illegible]ontcap and EDC.

[illegible]ddition, exporters can take advantage [illegible] credit management services, ranging [illegible] credit checks on foreign buyers to [illegible]ions. In effect, Montcap becomes a [illegible]s export credit manager. If the [illegible] to pay, the exporter is still protected [illegible] 90 per cent of the loss under EDC [illegible] coverage," adds Aboud.

[illegible] information on Export Ease [illegible]tcap at 1-800-231-2977.

[illegible]ongratulations to Canada Export Award winners!

Ten Canadian companies were rewarded for their global vision at this year's Canada Export Awards ceremony, held during the fifth annual convention of Canadian Manufacturers & Exporters.

SEVEN OF THE TEN CANADA EXPORT AWARD WINNERS ARE EDC CUSTOMERS

In total, seven of the 10 award recipients have used EDC's expertise to help them export with confidence and success:

SMART Technologies Inc.
Calgary, AB (Exporter of the Year)
www.smarttech.com

International Datacasting Corporation
Ottawa, ON (Innovation and Technology Achievement)
www.intldata.ca

Med-Eng Systems Inc.
Ottawa, ON (Lifetime Achievement Award)
www.med-eng.com

Survival Systems Limited
Dartmouth, NS (Smaller Exporter Achievement)
www.survivalsystemsgroup.com

Pearl Seaproducts Inc.
Sechelt, BC
www.pearlsea.com

Thorburn Equipment Inc.
Pointe-Claire, QC
www.worldexport.com/thorburn

Wescam Inc.
Flamborough, ON
www.wescam.com

EDC regional offices

EDC's regional offices are all in the process of upgrading their phone systems to better serve customers. New phone numbers have all been incorporated into the Contacts list on page 29.

Agri-food industry targets NAFTA market at SIAL 2001

SIAL 2001 Montréal (March 4-6, 2001) is the first Canadian edition of this biennial event, the world's largest food and beverage exhibition reserved solely for industry professionals.

AGRI-FOOD EXPORTS SHOULD POST DOUBLE-DIGIT GROWTH IN 2001

The SIAL 2001, in partnership with the Association des détaillants en alimentation du Québec (the Quebec food retailers association) and the Club Export Agro-Alimentaire du Québec, expects over 10,000 professionals to visit the 20,000 sq. m.

exhibition, of which over 60 per cent is devoted to Canadian businesses and 40 per cent to the rest of the world.

The exhibition aims to ease orders and purchasing, as well facilitate trade contacts at the international level for the development of exchanges in the area of food products for the North American market.

Detailed information is available at www.sialmontreal.com.

Think your U.S. deals are risk-free? Supplier beware

by Shawn Dalrymple

Precut International C.L. Inc., a lumber brokerage organization based in Quebec City, felt that exporting to the United States was relatively risk-free – until it faced an $11,000 loss.

The vast majority of EDC's insurance claims are for transactions with the United States. In this particular situation, Precut was blindsided by a loophole that exists in banking practices, which permits sending an NSF notification up to five months after depositing the cheque.

THIS SITUATION IS A VERY REAL THREAT

Precut is not alone. Montreal's COPAP Inc., a mill's agent for pulp and paper products and an exporter for over 10 years, experienced a loss of approximately $60,000 after a cheque from a U.S. buyer came back with a notice of "stopped payment" after it was deposited, even though COPAP had already been credited for the full amount of the cheque.

Samy Sibony, Vice-President of Finance for COPAP explains, "A customer in the area of Chicago bought paper from us and paid by cheque, which we then cashed. A little over one month after we cashed the cheque, our bank told us that payment of that cheque was stopped, and that, legally speaking, they had the obligation to debit our account."

Both Precut and COPAP were victims of a loophole that currently exists in international banking rules. Larry De Lottinville, President of Precut, says, "After consultations with various boards and lawyers, we found out about this loophole and we realized that legally not much could be done."

Caroline Melia, Legal Counsel with EDC, explains how this loophole works: "In Canada, the drawee's bank has 24 hours to notify the payee's bank that the cheque is NSF, but in dealings between a customer's U.S. bank and a supplier's Canadian bank, there are no such time limits – in fact, there isn't even a single financial body with the authority to regulate in this area. Sadly, this situation is a very real threat for many Canadian companies." Melia adds, "Unfortunately, a solution seems unlikely at the moment. Therefore, Canadian companies must take steps internally to prevent this type of loss."

Both Precut and COPAP have now adopted preventative methods. De Lottinville says, "A U.S. bank account enables Precut to become part of the U.S. banking system and circumvent this problem. In the United States, banks have 48 hours to decide if a cheque can be honoured and once this decision is made, there is no turning back." COPAP's Sibony offers another option: "We often use wire transfers to receive payments, because wire transfers cannot be stopped."

EDC's credit insurance policy covers losses of this nature up to the credit limit approved for the buyer in default. Should the occurrence of such a problem increase the amount of the loss to above the policy holder's credit limit, EDC's policy would still cover losses up to the initial approved credit limit.

i Trade: free up working capital with POC financing solutions

"i Trade's unique Purchase Order Confirmation (POC) financing solutions are designed to allow Canadian exporters to extend deal-winning, short-term credit terms to their buyers, while receiving full payment at the time of delivery," explains Parker Gallant, President and CEO of i Trade Finance Inc.

Supported by EDC insurance, POC financing is entirely off balance sheet, does not affect an exporter's bank lines, and can be less expensive and more commercially attractive than the more conventional trade finance options.

For more information on i Trade, call 1-877-734-7773 or e-mail info@itfi.net.

Success tips for exporters

(...th permission from Jayson Myers)

...Myers, Senior Vice-President and ...nomist of the Canadian Manufac- ...porters (www.the-alliance.org) ...offered these tips for success to an ... of Newfoundland exporters:

- ...op a business plan that looks ...lly, and acknowledges that ...n is global.
- ... our customer. Make sure your ... and services are customized for ...stomer. Investing in special products ...l market niches is where Canadian ...panies have competed the best, and ... are looking at what it takes to ...rentiate themselves from the ...

→ Strike a balance between eliminating overhead and creating flexibility.
→ Find partners.
→ Continuously improve quality.
→ Invest in people. People are your key assets — not technology.
→ Integrity. Business today is not only about meeting customer expectations in terms of product quality and cost. It is also a matter of companies acting much more responsibly and making sure they are meeting expectations of the community as a whole in terms of environmental regulations. *(Editor's note: also see article on anti-corruption, page 2.)*
→ Financing. Technology is shared around the world, but the difference is how those companies are financed. That's becoming more important in gaining access to international markets.
→ Always look ahead because changes are coming quickly, and no company can afford to rest.

LETTERS TO THE EDITOR

First, let me congratulate *Export Wise* for the valuable information provided through the very interesting topics and articles. The articles concerning India (Fall / ...ber edition) and the myth around its economy and investment ...rtunities were captivating.

... the pleasure to work for the Times of India Group, based in Mumbai, for over ...s last year. This work experience gave me the occasion to have a glimpse at ...rket opportunities in the whole of India. Today, Mumbai and Bangalore are ...rkets for consumer goods, including luxury garments! The Indian market ... million people and I am hopeful that the Canadian exporters will soon ...nd, thanks to efforts such as your great coverage, that India isn't just the ...nal and the Ganga river anymore.

...
...n-Pierre Rodrigue
Geo Alliance International
Sainte-Foy, PQ
Canada

The editor welcomes letters of comment on articles that appear in Export Wise, *or on events and issues related to the Canadian export industry. (Letters may be edited to meet the magazine's style and space requirements.)*

EXPORTWISE

EDITOR
Cathy Lynch
clynch@edc-see.ca

ASSOCIATE EDITOR
Julie Harrison
jharrison@edc-see.ca

EDITORIAL ASSISTANT/DESKTOP DESIGN/CIRCULATION
Deborah Chapman
dchapman@edc-see.ca

CREATIVE DIRECTION & PRODUCTION
Phil Jones, Insight Communications

FILM & PRINTING
The Lowe-Martin Group

CONTRIBUTORS
Cressida Barnabe, Mark Bolger, Brenda Brown, Deborah Chapman, Shawn Dalrymple, Marie-Claude Erian, Todd Evans, Rod Giles, A. Ian Gillespie, Julie Harrison, Toby Herscovitch, Sujatha Kumaraswami, Erin O'Brien, P.K. Pal, Stephen Poloz, Patricia Smith and Douglas Ward

TRANSLATION
(from *Export Wise* to *Exportateurs avertis*)
EDC Translation Services

ADVISORY BOARD
June Domokos, Andrew Douglas, Françoise Faverjon-Fortin, Ruth Fothergill, Linda Graupner, Walt Hutchings, Leslie Kenway, Keith Milloy, Maguy Robert, Kurt Rufelds, and Jayne Watson

Export Wise is published four times a year by EDC's Corporate Communications Department.

EDC provides trade finance and risk management services to Canadian exporters and investors in up to 200 markets. Founded in 1944, EDC is a Crown corporation that operates as a commercial financial institution.

All dollar amounts indicated in the magazine are in Canadian dollars unless otherwise specified.

Ce document existe également en version française sous le titre Exportateurs avertis.

EDC
151 O'Connor Street, Ottawa, Canada K1A 1K3
Tel.: (613) 598-2500 Fax: (613) 237-2690

BE SURE TO VISIT EDC'S WEB SITE AT
www.edc.ca

FIELD OF Dreams

Field Aviation takes international flight

by Brenda Brown

From primitive cave etchings to Leonardo da Vinci's early aircraft designs, it seems mankind has always been captivated by the magic of flight.

This fascination led to the birth of Field Aviation Company Inc. over five decades ago. Today, Field is one of Canada's leading aviation sales, service and support companies offering up a complete range of fully integrated services to the general, commercial and military aviation communities in Canada and around the world.

One has only to look at the array of services provided by Field to gain an understanding of where the magic of aviation can lead you. Field provides aircraft repair, overhaul and maintenance services; avionics sales, service and overhaul; and the design and manufacture of specialized aeronautical systems. Even if you just want a new paint job, Field can help you out.

More specifically, Field is the sole Canadian sales representative for the Raytheon Beechcraft line of general aviation and business aircraft, as well as the manufacturer of aircraft parts such as the water scoops for the CL-215/415 Water Bombers and all airframe parts for the de Havilland Caribou and Buffalo transport aircraft.

Joar Gronlund, Field's Vice-President of Business Development, says the company has been exporting "from day one" because of the large potential beyond the domestic market.

"We are constantly looking for ways to broaden our customer base and position ourselves as a dominant player in the international market," Gronlund says.

One of Field's most recent breakthroughs was winning a hotly contested contract to develop uniquely modified Dash 8 Marine Patrol Aircrafts (MPAs) for the Australian Customs Service.

"This MPA can carry a crew of two pilots and two surveillance operators, and can accommodate a number of observers. It employs sophisticated equipment such as surveillance radar, as well as infrared and video cameras to find, track and document activities on the ocean, ranging from illegal fishing, drug smuggling and illegal aliens, to environmental spills and other matters of national importance," says Gronlund.

"WHEN PURSUING EXPORTS, IT IS ESSENTIAL TO WORK CLOSELY WITH EMBASSY STAFF"— FIELD AVIATION

"We developed a cost-effective maritime patrol aircraft which operators can purchase and fly for half the cost of operating more traditional MPAs or Submarine Hunting Aircrafts," says Gronlund. The Australians were so impressed with the performance of the three original Dash 8 MPAs that they've ordered two more planes for delivery late this year.

"I think that says a great deal about a Canadian company exporting high value-added products and services to the point where customers are coming back," notes Gronlund.

The key to winning contracts, he adds, is to be active in the marketplace, develop a network with complementary suppliers so that opportunities are quickly identified, and to build solid relationships with customers so they know that you understand their requirements and that you bring value to the table from the start.

What's next for the company? Field is providing heavy maintenance checks on regional aircraft from as far away as China, and has a contract with American-based Continental Express to modify and upgrade a fleet of 34 Embraer aircraft.

THE AUSTRALIAN CUSTOMS SERVICE WAS SO IMPRESSED WITH FIELD'S UNIQUELY MODIFIED AND COST-EFFECTIVE DASH 8 MARINE PATROL AIRCRAFTS, USED TO TRACK OCEAN ACTIVITIES SUCH AS ILLEGAL FISHING AND DRUG SMUGGLING, THEY ORDERED TWO MORE TO BE DELIVERED BY YEAR END.

"One lesson we've learned over 50 years in business is that it's always good to have the Canadian government on your side. When pursuing exports, is it essential to work closely with embassy staff because they can provide valuable insight into local opportunities and customs, assist in presentations, and increase your credibility," says Gronlund. He adds, "Some export markets can only be penetrated via active Canadian government participation and, in those instances, we work out the contractual arrangements closely with the Canadian Commercial Corporation as well as establish buyer financing through EDC.

"We always look to EDC to provide the export financing required for major proposals," says Gronland, "and we are in the process of aggressively pursuing a number of projects where EDC's involvement helps to sharpen our competitive edge."

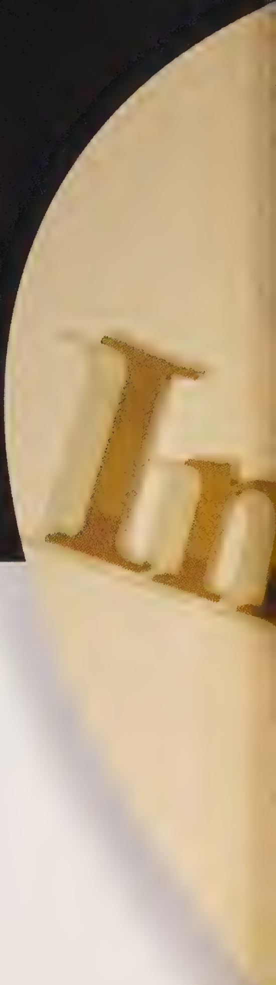
PROFILE

Business: aviation sales, service and support
Established: 1947
Number of employees: 500
Export business: over 50%
Export business (1999): $60 million
Export markets: United States, Australia, Central and South America, Europe and Asia
EDC relationship: Export financing
Contact: www.fieldav.ca

Is the Service Industry Canada's Next

by Brenda Brown and Julie Harrison

Canadian companies are increasingly moving to export their expertise overseas, and finding a tremendous depth of opportunity. From engineering, to construction, to health care expertise, Canadians are mining for gold in the service sector.



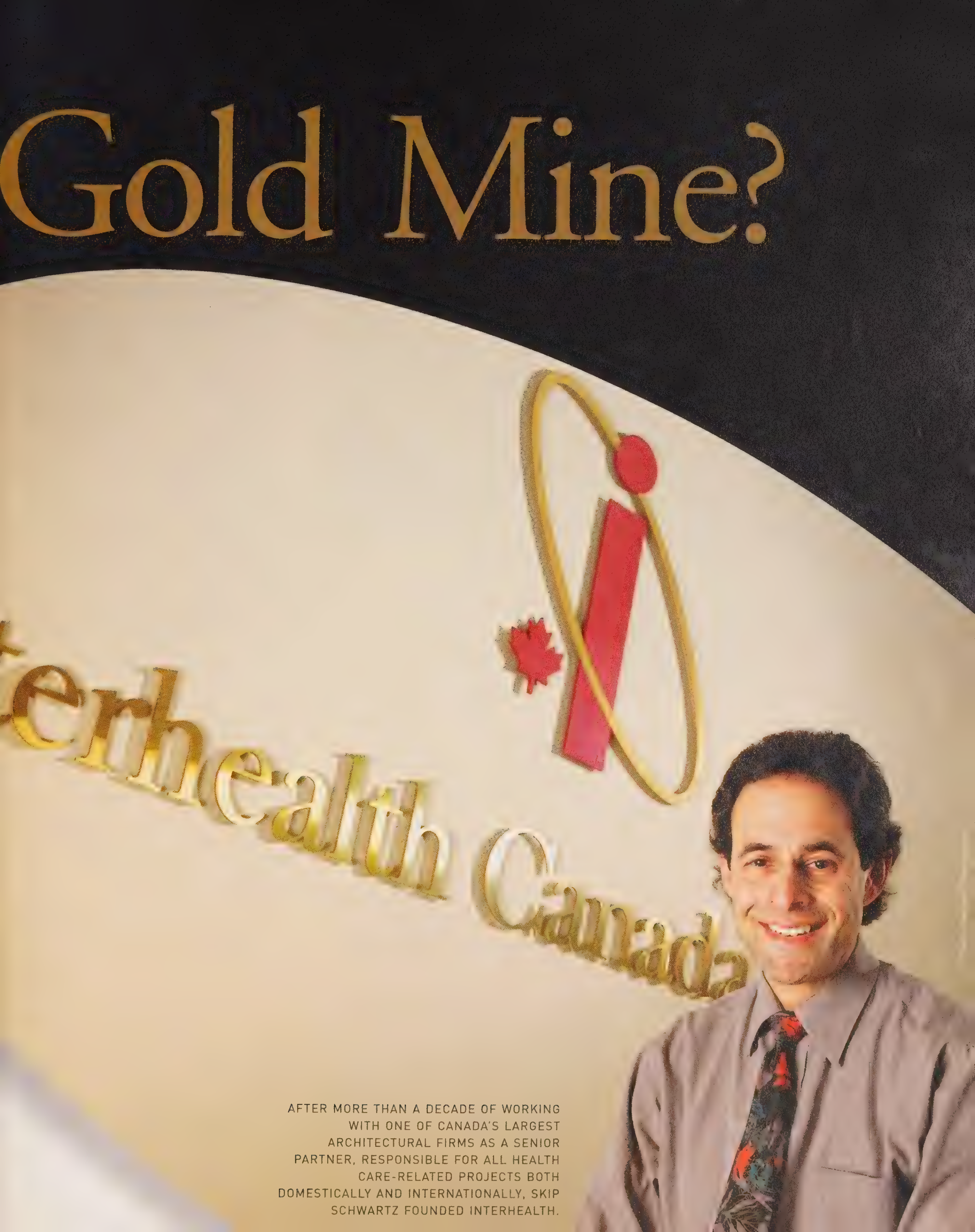
For a ten-year-old girl from Abu Dhabi of the United Arab Emirates it was literally a matter of life and death. When the Abu Dhabi's Shaikh Khalifa Medical Centre got the call, she was in critical condition suffering from a huge tumour which was pushing against her spinal cord. It would have caused permanent paralysis or worse.

Thanks to the swift action of three doctors, their knowledge of this rare condition and the skill to treat it, the tumour was successfully removed in a [illegible]-hour operation. The girl is now walking unaided.

This was a proud moment for Toronto-based Interhealth Canada Limited, which not only developed the operating and administrative structure for the Centre in Abu Dhabi, but staffed it with the three Canadian doctors who saved the little girl's life. The doctors are three of the 1,300 health care professionals Interhealth has stationed in this country.

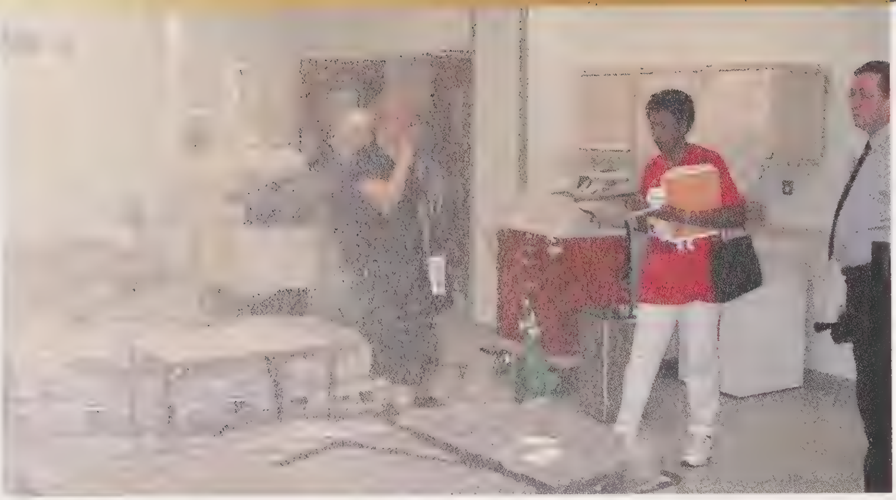
Interhealth is at the forefront of a growing trend which some experts believe is Canada's next gold mine – exporting services.

Gold Mine?



AFTER MORE THAN A DECADE OF WORKING WITH ONE OF CANADA'S LARGEST ARCHITECTURAL FIRMS AS A SENIOR PARTNER, RESPONSIBLE FOR ALL HEALTH CARE-RELATED PROJECTS BOTH DOMESTICALLY AND INTERNATIONALLY, SKIP SCHWARTZ FOUNDED INTERHEALTH.

[illegible] THE DOORS OF THE SKMC IN FEBRUARY 2000, THE [illegible] IS ALREADY SEEING OVER 550 PATIENTS PER DAY



"Canadian medical personnel are world-renowned for providing superior patient care and for their innovative research into the cures for diseases such as heart failure and diabetes," says Skip Schwartz, one of Interhealth's original founders and President and Chief Executive Officer. "We're offering that expertise to the world by bringing together the right combination of people, skills and abilities to meet the challenge of any country's medical needs."

[illegible] knowledge-based [illegible]

The explosive growth in the [illegible] industry is a reflection of Canada's [illegible]g transformation into a knowledge-[illegible] economy. Our more traditional resource-[illegible] economy formerly accounted for [illegible] nt of Canada's trade, but today [illegible] only 35 per cent. Services, on the [illegible], are skyrocketing.

[illegible] service sector is now responsible for [illegible] Canada's trade, having more [illegible] e the beginning of the 1990s. [illegible] ted to continue, with [illegible] ast to rise by 10 per cent [illegible] rther nine per cent in 2001.

[illegible] lated to the growth in service [illegible] pments in information [illegible] communications technologies. [illegible] facilitates trade in much the [illegible] as a country's transportation infra-[illegible] trade of goods, making [illegible] asier to do cross-border marketing, co-produce services with different partners, and deliver services over vast distances.

The United States is presently the largest market for Canadian companies selling services abroad, absorbing 60 per cent of Canada's total service exports. It is expected, however, that liberalization of trade in services will expand as a result of the WTO's (World Trade Organization) General Agreement on Trade and Services (GATS) negotiations, currently underway. (*Editor's note: See sidebar on page 13.*)

The greatest opportunities are expected in the developing countries, especially China and India. In addition, as Interhealth has already experienced, government procurement is an area expected to open up to foreign competition.

Interhealth faithfully embraces globalization

Interhealth's founders, in a bold, strategic move five years ago, brought together the formidable resources of 50 Canadian shareholders to bring the best of North American health services and technologies to developing nations. Moving beyond consulting, the company has fully embraced the notion of globalization by establishing partnerships with client countries through management contracts, equity participation and joint venture relationships.

INTERHEALTH CANADA IS AT THE FOREFRONT OF A GROWING TREND WHICH SOME EXPERTS BELIEVE IS CANADA'S NEXT GOLD MINE — EXPORTING SERVICES

The Shaikh Khalifa Medical Centre (SKMC) offers a proven example of Interhealth's philosophy of responsible partnering. The government of Abu Dhabi built the medical centre, but required the experience and expertise to run a multi-specialty hospital. Turning to the international community, bids were accepted from several health care service management companies, including Harvard and Johns Hopkins, for the more than $1 billion contract.

Interhealth was awarded a four-year contract, with a two-year option to renew. In this time period, Interhealth is to implement operating and administration structures as well as recruit and train staff. Operation of the SKMC began on February 28, 2000, serving

THE SKMC, A 22[illegible]-BED MULTI-SPECIALTY FACILITY, SERVES AS ABU DHABI'S KEY TRAUMA AND TERTIARY HOSPITAL.

CANSULT IS PROJECT MANAGER FOR THE DEVELOPMENT OF A TWO MILLION SQUARE FOOT DOWNTOWN REDEVELOPMENT PROJECT IN ABU DHABI

as Abu Dhabi's key trauma and tertiary hospital, offering programs in cardiac, oncology, neurosciences, orthopedics, pediatrics and trauma services. By successfully integrating the best of Canadian health management systems and techniques, Interhealth believes that the SKMC will be able to achieve accreditation through the Canadian Council on Health Care Accreditation as a properly certified Canadian hospital.

Interhealth draws expertise from its list of shareholders, which includes both the public and private sectors. The list reads like a "who's who" of the Canadian medical establishment including the Mount Sinai Hospital and the University of Ottawa's Heart Institute. It also includes associations (Canadian Hospital Association), pharmaceutical companies (Apotex Inc.), architects (Benjamin Schultz Architect), consulting groups (Holocene Consulting), and two provincial governments.

Interhealth's expertise runs the gamut, including developing comprehensive health care systems; helping countries deal with population-specific issues such as maternal and elderly care; developing laboratory and diagnostic services; and, establishing drug monitoring and delivery mechanisms. It has even developed ties with a number of Canadian and foreign financial institutions to help customers secure the funding they require.

The company has also established a branch office in Abu Dhabi to build on the growing reputation and interest generated from its management of the Centre. "We are attracting patients from around the Middle East and, as a result, a number of other countries such as Egypt and Saudi Arabia have expressed interest in the broad range of services we provide," says Schwartz.

Schwartz notes that being on-site has helped more than Interhealth's reputation: "Being on-the-ground also demonstrates our commitment to the community, gives us intimate firsthand knowledge of the challenges faced in this part of the world and allows us to respond in a more timely manner to their medical needs."

Cansult builds on long-standing reputation

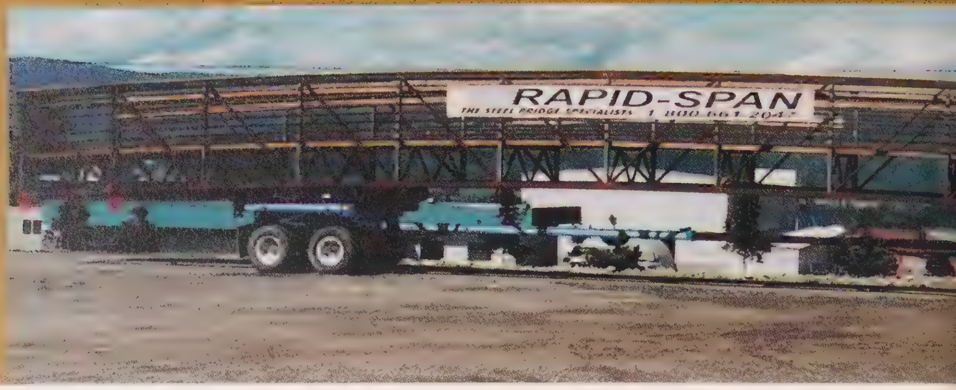
Cansult Limited, like most service sector companies, recognizes that reputation is key to maintaining and building business internationally. The Canadian "brand" also works to advantage for Canadian companies marketing their services abroad.

> "WE FIND OURSELVES UP AGAINST INTERNATIONAL GIANTS, WHICH HAVE MUCH GREATER FINANCIAL RESOURCES,"
> — PETER VENTIN, MANAGER, CORPORATE MARKETING, CANSULT LIMITED

"Honest, hard-working, dependable … these are characteristics associated with Canadian companies," observes Peter Ventin, Manager, Corporate Marketing at Cansult Limited. "We definitely try use this to our advantage when marketing internationally, such as using a maple leaf in our corporate logo since day one." Cansult has been successfully marketing its expertise since 1961, when 12 of Canada's largest engineering firms created Cansult solely for the purpose of doing business internationally.

Cansult landed its first project in Abu Dhabi in 1965, and has since gone on to complete numerous projects throughout the Middle East, Caribbean, and North Africa. Annual sales are now over $20 million and, in 1986, Cansult began its transformation into an employee-owned business. Ventin explains, "This past December, we bought out the last of the original 12 shareholders. Our 250 employees now own Cansult."

While being Canadian has its advantages, it also brings its challenges. "On the global stage, Cansult, like most Canadian companies, is in relative terms a small- or medium-sized business. We find ourselves up against international giants, which have much greater financial resources and upwards of 5,000 to 10,000 employees," says Ventin.



[illegible] hurdles these challenges by cre[illegible] [illegible]ances and consortiums. "We've [illegible] the ability to effectively pool the [illegible] of several players, with Cansult as the [illegible] point for the client. However, [illegible] means that if a sub-consultant does [illegible] obligation, we have to do every[illegible] to find a solution – Cansult's [illegible] on the line," notes Ventin.

[illegible]putation is key. We go above [illegible] to ensure that our reputation is [illegible] protected," maintains Ventin. He [illegible] This can be especially important [illegible] the Middle Eastern market, where [illegible]sion-makers can be in power for a long [illegible]ime. If you allow one bad experience to [illegible]ct your reputation, you could cut your[illegible] out of the market entirely." Cansult has [illegible]tained and built on its reputation in the [illegible] East since it opened its doors over [illegible]rs ago

[illegible]ompany's most recent large-scale pro[illegible] the Abu Dhabi Trade Centre. Under[illegible] 1998, the Centre is slotted for [illegible]on in 2002. Cansult is responsible [illegible]oject management, programming, [illegible]ntrol, project monitoring, [illegible] the project team; the total [illegible]imated at over US$230 million.

[illegible]ring new markets, Cansult [illegible]rtner to be a critical success [illegible] Having a local partner gives us a bet[illegible]tanding of the local market and [illegible]lso feel that joint ventures [illegible]re that benefits are returned to the [illegible]st country," says Ventin.

[illegible] has on-site employees [illegible]ing toward its competitive advantage. [illegible]lmost 200 of its 250 employees are based outside of Canada on-location, and generally work out of one of Cansult's 10 international offices. On-location employees can be particularly helpful for overcoming seemingly minor problems, like time differences. "For instance, in the Middle East, the weekend is Thursday and Friday and there is also an eight-hour time difference. That leaves only about six hours of overlap time between Canada and the Middle East in which to do business," notes Ventin.

Ventin believes that Canada has the opportunity to capitalize on the international demand for services. He cautions, however, that establishing yourself in a new market takes considerable resources. "For this reason, we try to enter countries only on a long-term basis," observes Ventin.

Rapid-Span banks on long-term payoff

Rapid-Span Structures Ltd. agrees that success in the service industry requires a long-term perspective. "We invested for over two years in the Central American market before landing our first contract. We were there before the devastation of Hurricane Mitch, sending a clear message to the people and the governments in those countries that Rapid-Span is in for the long haul," says Thomas Witty, Chief Financial Officer.

For the past two decades, this Armstrong, British Columbia-based company has been dedicated to taming Canada's sometimes wild and unpredictable landscape. The company traces its roots back to the growing demand for modern, durable and cost-effective bridges in western Canada's forest industry. Its expertise quickly spread to other sectors such as mining, petroleum, railway and road transportation, and led to the acquisition of a second manufacturing plant in Grand Prairie, Alberta.

"We have vast experience working in environmentally sensitive terrain, in remote locations and under extreme conditions," says Witty. "This requires imaginative engineering solutions, flexibility and a commitment to excellence in everything we do."

Unlike Interhealth and Cansult, which were established specifically for international business, Rapid-Span has just recently moved into service exports. Now taking its Canadian experience on the road, Rapid-Span is breaking into new markets where there is an increasing worldwide demand for everything from small footbridges to complex steel structures.

The company is now putting the finishing touches on a 70-metre clear span steel bridge over a deep gorge at the Rio Las Canas in El Salvador. The original bridge, located just outside the capital, collapsed about three years ago. As a result, people travelling to and from the capital have had to scramble their way down the sides of the gorge and cross the river, which is both time-consuming and dangerous.

"WE INVESTED FOR OVER TWO YEARS IN THE CENTRAL AMERICAN MARKET BEFORE LANDING OUR FIRST CONTRACT."

— THOMAS WITTY, CHIEF FINANCIAL OFFICER, RAPID-SPAN STRUCTURES

The challenges of taking on a project in a remote part of the world is nothing new for the company. One of its most memorable challenges was transporting 1.6 million pounds of steel to supply a bridge for the Alaska Highway. The parts were shipped out of Armstrong by rail to Prince Rupert, loaded on barges travelling to Fairbanks Alaska, shipped again by rail to the end of the line, offloaded onto trucks and then hauled to the Yukon's White River crossing.

"We had to contend with ocean travel, and co-ordinate railway, barge and trucking, to get it to the site on time. When you consider the magnitude and weight of the load, it was a serious challenge," says Witty.

So what's the key to success in the service sector? A little ingenuity, a lot of planning and flexibility. "Things happen outside your control. There is no point in railing against them. The important thing is to focus on the solution so there is no impact on service to the customer," explains Witty.

For example, the shipping company contracted to deliver the parts for the El Salvador project announced at the last minute it would be two weeks late arriving at the Vancouver port, seriously jeopardizing the company's ability to meet the production schedule. The solution: ship the parts via truck to the port in Houston, Texas.

"We had to do a lot of scrambling to make sure the parts arrived on schedule, but we knew there was a solution. We just had to find the right one that would work best for us and our customer."

Growing support for service sector

Interhealth, Cansult and Rapid-Span agree that breaking into new markets is a lot easier with EDC's support and market expertise.

"The government of El Salvador insisted on six different guarantees that had to be backed up by letters of credit. This would have seriously impacted on our credit facilities," says Witty. Rob Kengis, Director of EDC's Civil Works and Professional Services Team explains, "Most contracts require companies to come up with some form of performance guarantee. This usually means they are 'cash out of pocket', which puts a financial strain on the company. This is where we can play a pivotal role." →

GATS 2000 Negotiations

Trade in services now represents approximately 20 per cent of world trade and is increasing at a rate exceeding that for trade in goods. The World Trade Organization's (WTO) *General Agreement on Trade in Services (GATS)* represents the first multilateral framework of rules governing this increasingly important aspect of trade and has been in effect since 1995. Even without an agreement in Seattle to launch a comprehensive new trade round at the WTO, negotiations on trade in services are proceeding because they were mandated in the Uruguay Round.

In the GATS, the term "trade in services" applies to international transactions involving fields as diverse as distribution, tourism, banking, insurance, transport, telecommunications, and professional services such as accounting, architecture, and engineering. The term also extends to the international movement of capital, particularly direct investment, and to the temporary movement of people when involved in the delivery of a service.

As the 12th largest exporter of services in the world, Canada has much to gain from negotiating further liberalization and expansion of international markets for our services exporters. The negotiations will aim to strengthen multilateral, legally enforceable rules covering international trade in services and will provide an opportunity for Canada to seek improved access to foreign markets for Canadian service firms. In addition to pursuing markets opening abroad, the Government of Canada has made it clear that Canada's freedom to take action in key sectors, including health, education and culture will be upheld.

To prepare for these negotiations, the Government of Canada has embarked on an extensive and continuing program of analysis and consultation with the private sector, provincial governments and stakeholders, to identify Canadian negotiating interests and objectives for the next round.

For further information regarding the GATS and the Government's preparatory activities please visit the Services 2000 Web site at: http://services2000.ic.gc.ca

...pany: Rapid-Span Structures Ltd.
...usiness: portable and permanent
...ished: 1983
...umber of employees: 90
...port markets: Central America
...DC relationship: Performance Security
...and Guarantees

...pany: Interhealth Canada Limited
Business: developer and provider of
...alth care knowledge, services and
Established: 1995
...ber of employees: over 1,300
...rt markets: Middle East, South Asia,
...America
...t business: 100%
...lationship: Performance Security
...and Guarantees
...nterhealthcanada.com

...ring and project
...of employees: 250
...port markets: Middle East, Caribbean,
EDC relationship: Performance Security
...e and Guarantees, Specific
Transaction Insurance
Contact: ...

Schwartz adds: "EDC's participation was critical to our success in obtaining bonding from the local banks which was a prerequisite for contract performance. They responded quickly and effectively and we will certainly be looking to them to be partners in any future projects."

Ventin has also found that in many instances, a Canadian bank will be more risk adverse than publicly stated. "EDC is willing to look at anything that we bring to them. It is this commitment that enables us to pursue new markets."

> **"SERVICE IS STILL ABOUT PROVIDING THAT PERSONAL TOUCH."**
>
> **— SKIP SCHWARTZ, INTERHEALTH CANADA**

Cansult has enjoyed a long relationship with EDC, dating back to the late 1970s. "While we certainly appreciate the guarantee and bonding services from EDC, it is the additional support we receive that makes the difference," notes Ventin. "EDC has proven itself as an indispensable partner. For instance, in the 1980s, EDC designed a tailored insurance policy specifically to meet our risk exposure in the Middle East. And today, this kind of support continues, especially with the team's ongoing development of specific industry expertise. They have developed a comprehensive understanding of engineering projects, which is a real help for us, particularly when doing a project in a new market. This level of expertise is something that we've truly grown to appreciate," says Ventin.

Reflecting Canada's growth in service exports, Kengis' team has also experienced exceptional growth — its business volumes tripled from $344 million in 1998 to $1.1 billion in 1999. The eight contract insurance and bonding/finance risk experts on this team bring to the Canadian service industry over 90 years in related experience, supporting companies specializing in construction, engineering, environment, prefab housing and feature film and television. This year, the team has also branched off to establish a multidisciplinary team specifically to focus on the rapidly expanding environmental service and equipment sector. Significant support is also provided to the team and its customers by EDC business development managers located in regional offices across Canada.

"Once companies realize the value-added EDC brings to their business, we often find they consider our Accounts Receivable Insurance. What this does is protect their inventory such as machinery, equipment and buildings, even cash, up to 90 per cent of their value," says Kengis.

Mining for gold in the service sector

Statistics show that there is still a great depth for growth in Canadian service exports. While the value of services exported from Canada has tripled in value over the past 15 years to over $51 billion annually, service exports represent only 12.6 per cent of total exports, well below the world average of 19 per cent.

Canadian service exporters also return benefits to Canada, such as: exports have a higher Canadian content; jobs created are higher paying; and investments in R&D are higher.

Schwartz offers a final tip for Canadian exporters mining for gold in the service sector: "In pursuing this market potential, it's important to remember that, while technology makes it easier to keep in contact with your customers halfway around the world, service is still about providing that personal touch. Many countries put a lot of stake in personal relationships, building a trust that you can't always develop long distance. They want to know that you care enough to be there. It's a delicate balance that you must constantly strive to maintain."

EXPORTING A TASTE OF QUEBEC

BY CRESSIDA BARNABE

While "Drink less. Drink better" might seem like an unlikely motto for a brewery, it is a faithful reflection of Unibroue's philosophy of producing a better-tasting beer.

In North America, beer is considered a refreshment, not a taste experience. Therefore, it's no surprise that mass-producing breweries control the bulk of beer sales in Canada. But a growing number of beer drinkers are looking for something different, and craft breweries have responded.

> **"NO ORDERS LEAVE THE BREWERY FOR EXPORT UNLESS COVERED BY EDC OR PAID IN FULL."**
>
> — UNIBROUE

At Unibroue, a lot of attention and resources have been put into developing true craftsman beers. Beer that has a distinct taste, and is brewed according to traditional brewing methods, results in a bottle-conditioned beer that is not clear, is unfiltered and has a long shelf life. The beer is produced in smaller quantities over a period of eight weeks, compared to the 10 to 20 days for mass-produced beers.

Unibroue wraps its bottles with stunning labels, and packaging that attracts customers seeking uniqueness. "We are selling a different product, not just another pilsner or lager. It stands out on the shelf, grabs consumers' attention and they buy it," explains Laurent-Xavier Gilbert, Director, North American Sales.

A key to Unibroue's success has been tapping into foreign markets. France seems to be a natural fit for exporting, explains Gilbert. "We share cultural traits and there's a certain affinity between the French and French Canadians. French beer drinkers relate to the labels and legends behind each beer. They have been exposed to bottle-conditioned beers much longer than Canadians and they appreciate the distinct tastes."

"We've also seen strong response from the U.S. market, where we've developed a good reputation as producers of quality beer. We currently distribute in more than 30 states and we've seen particular success in key markets such as California, Massachusetts, New York and Texas," adds Gilbert.

Building client profiles and trust is a large part of doing business with foreign buyers. Unibroue's export sales are covered by EDC's Gobal Comprehensive Insurance Policy, which protects it against 90 per cent of the loss if its foreign buyers don't pay. Gilbert notes, "No orders leave the brewery for export unless covered by EDC or paid in full. It's that simple. We have an upscale product sitting in a container and we're not prepared to take the risk of not being paid."

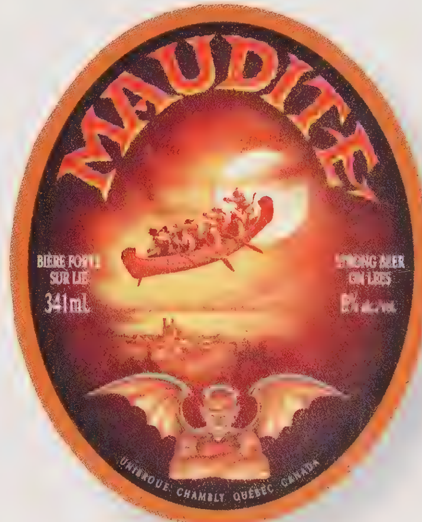
Over the past few years, Unibroue has expanded its brewing and bottling facilities in order to position the company for future growth. Within the next three to four years, Unibroue aims to generate 35-40 per cent of its sales from exports (includes sales to Canadian liquor boards) with key markets such as the United States and France representing 10 per cent each.

Unibroue is well-positioned to bring a taste of Quebec to the rest of the world.

(Editor's note: As a long-standing member of Club Export Agro-Alimentaire du Québec, Unibroue will be attending SIAL 2001. For details, see page 4.)

PROFILE

Company: Craft-produced, or bottle-conditioned beer
Employees: 120
Annual sales: $23,439,000 (1999)
Export sales: 17.9%
Export Markets: United States, Belgium, Switzerland, Italy, Spain, Australia
Target Markets: United States, France
Contact: www.unibroue.com



JAPAN

THE TIME IS NOW

With Canada's strengthened business environment and Japan's gradual economic upswing, the time has come to realize an opportunity and celebrate renewed trade and investment growth between our two nations.

by Mark Bolger

It's only natural that the malaise that has affected the Japanese economy has had a negative impact on the intensity of recent trade and investment between Canada and Japan. Yet despite this decline, Japan retains its place as a key partner in Canada's foreign trade relations. With over $8.3 billion of export trade from Canada and nearly $15 billion in Japanese imports flowing across our borders in 1999, Japan still ranks as Canada's third largest trading market.

Conditions in Japan indeed show improvement. Fuelled by rising export volumes, the level of industrial production and investment in business continue to grow. Japan's imports of raw materials, semi-processed goods and machinery equipment are up as a result. In addition, new government regulations are allowing foreign exporters greater access to the Japanese marketplace. While strong explicit and implicit barriers to entry still exist in many sectors, the growing public demand for competitively priced, value-added products are opening opportunities for foreign suppliers. Many of the traditional non-tariff barriers limiting foreign imports, such as the Japan-centric supply and distribution monopolies between trading houses, are gradually diminishing in importance. For Canadian exporters interested in Japan, three sectors that appear poised for further growth in the years to come are agri-food; residential construction and housing materials; and environmental technologies.

Japan's changing tastes open doors for agri-food exporters

Dependent on imports for almost 60 per cent of its food requirements, Japan is the world's largest food importer. Purchasing $3.2 billion worth of agri-exports (1998), Japan is also Canada's second largest food export destination after the United States, greater than all of the EU countries combined. Currently commodities like fresh and frozen seafood, bulk grains, and non-processed food items dominate Canadian agri-exports to Japan.

Looking forward, there are a combination of factors such as a shortage of labour for domestic farming, changes in consumption patterns both inside and outside the home, and a growing taste for Western food products that will all lead to future growth in Japan's importation of agri-foods.

Given the current state of Japanese import regulations, raw and unprocessed foods still have the easiest time entering Japan. Canada has seen some success in gaining entry to Japan's consumer frozen food market.

JAPAN'S GROWING PUBLIC DEMAND FOR COMPETITIVELY PRICED, VALUE-ADDED PRODUCTS ARE OPENING OPPORTUNITIES FOR FOREIGN SUPPLIERS

Exporters dealing with semi-processed and processed items should do thorough research on the Japanese marketplace, including acceptable packaging and import licensing requirements.

In approaching the market, be aware that consumer tastes differ from one region of Japan to another, so avoid the danger of lumping all of Japan into a single market strategy. In general, however, both raw and processed products that offer a health benefit, convenience and time savings, and ensure strict quality control – all at affordable

JAPAN: ECONOMIC OVERVIEW

...particularly in the IT sector, suggests ... Japan's economy. by Todd Evans

Economic prospects for Japan have improved steadily in recent months, and projections for growth over the next couple of years have been upgraded. So far, positive signs have come mostly from the supply side of the economy, where industrial production and profits have picked up considerably. Higher sales and cost cutting pushed corporate profits to a record high in the second quarter of 2000. Manufacturing firms are seeing the strongest profit growth, which is to be expected given their greater sensitivity to the business cycle. Profit growth has remained relatively weak in the financial sector. Overall, business income should remain at healthy levels going forward as companies continue to bring costs down while sales and production retain upward momentum. In addition, recovering Asian economies and healthy American and European growth are boosting Japan's overseas sales, at least partially making up for sluggish domestic demand.

Recent increases in capital spending, particularly for information technology (IT)

prices – stand the best chance of acceptance in the Japanese marketplace.

Finally, regardless of the product, partnering with the correct wholesaler or distributor can greatly enhance the chance of an imported product reaching the Japanese store shelves. A good Japanese agent can assist enormously in securing distribution networks and assist in navigating the often frustrating channels of Japanese bureaucracy.

Demand for building and housing products on the rise

Canada has a strong competitive advantage when it comes to residential housing. Our softwood lumber and building products, including prefabricated housing, all offer value to the Japanese. As economic recovery takes place in Japan, the demand for affordable, innovative building products will rise.

In recent years, the Japanese government has undertaken various measures to stimulate new housing starts and improve standards. One such recent change was amendments to Japan's Building Standards Law, which will facilitate greater acceptance of imported products offering durability, safety and energy efficiency. Previous building codes created large barriers to entry for foreign construction products.

Canadians looking to expand their export sales to the housing sector of Japan may want to look beyond the urban centres of Tokyo and Osaka to less penetrated regions. Northern Japan, which is prone to colder weather, and the Greater Kansai district are but a few locations where Canadian suppliers may find growing opportunities for residential and small-rise apartment construction.

While Japan's imports of prepackaged houses are showing a decline, building components are on an upward trend. Suppliers with value-added technologies offering energy efficiency, environmentally friendly construction, or lifestyle friendly designs for the aging Japanese populace have a good chance of seeing rising demand for their products in the years to come. →

goods, demonstrate that corporate confidence is improving. The September 2000 Tankan business survey shows confidence among large manufacturers at its highest level in three years. Smaller companies, although improving, are still reporting very small gains in confidence.

Short-term prospects for consumer spending however, are not as bright – at least for the moment. Unemployment rates are near historical highs while employment has actually fallen over the past year. However, there are signs that labour markets have stabilized – the unemployment rate has eased off from historical highs reached earlier this year, while the number of new job offers has been steadily rising since mid-1999. In addition, Japan's consumer spending data is considered unreliable and private-sector estimates show consumer spending to be in much better shape than suggested by government figures. Employee incomes are now also rising, for the first time in three years. Strengthening consumer confidence suggests that the consumer side of the economy may finally be bottoming out.

Nevertheless, opinions regarding Japan's future prospects are mixed, as a number of risks still exist which could derail the recovery. Although labour markets have stabilized in recent months, an acceleration in corporate restructuring and downsizing could lead to higher unemployment levels as firms shed excess workers. High levels of non-performing loans, tighter bank lending and rising corporate bankruptcies are clouding the outlook for the financial sector. Apprehension has also appeared over the Bank of Japan's recent decision to raise interest rates from zero to 0.25 per cent (the first increase after 10 years of declining rates). Opponents of the rate hike argue the economy is not yet strong enough to absorb any tightening in monetary policy. The government's decision to introduce yet another supplementary budget in the fall of 2000 has cast some doubt over the sustainability of the current economic rebound. This latest stimulus package has also heightened concerns over the country's fiscal health. Government debt is now at 130 per cent of GDP and remains a threat to the economy's long-term recovery.

Corporate restructuring gains momentum

Although much of the improvement in Japanese corporate profits can be explained by rising production normally associated with an economic recovery, there is evidence of an above-trend recovery in profits, suggesting an additional boost from restructuring. Recent data show that sales growth has been outpacing growth in the cost of goods sold and, more importantly, the divergence between the two has been widening – an indication that firms are bringing their overall costs down. Several other key trends suggest that corporate restructuring in Japan is on the rise. These include the rising share of part-time workers in total →

Japan's environmental industry offers exceptional depth

By the year 2025, the value of Japan's environmental industry will quadruple in size from its present level of $200 billion. With limited land space to accommodate waste disposal, Japan is forced to rely more and more on new incineration technologies and better recycling management. Large-scale incineration plants that employ cutting-edge emission control techniques will remain in high demand. While part of the growth in the environment sector will be served by Japan's domestic companies, the country can't afford not to look abroad for new technologies dealing in both solid waste and water treatment.

Canada's expertise in the environment sector is well recognized. In the past, though, environment exports to Japan remained low. The start-up investment in both time and money required to realize opportunities is substantial. With the Japanese industry quickly moving toward ISO 14000 standards, Canadian companies should be prepared to

BY THE YEAR 2025, JAPAN'S ENVIRONMENTAL INDUSTRY WILL QUADRUPLE

make necessary modifications to Canadian equipment and service practices. Yet, despite the possible high start-up costs, the potential depth of the environmental market in Japan is not to be overlooked.

Sub-suppliers can piggyback on Japanese project success

Finally, for those Canadian companies wanting to forge closer ties with Japanese businesses, one can not dismiss the vast opportunities that present themselves in subsupplying the Japanese trading houses during third country project development. Japanese companies like Marubeni, Mitsui, Sumitomo and Mitsubishi are all involved in major infrastructure developments worldwide. Canadian firms offering cost-competitive technologies in the oil and gas, mining, power, and urban transportation sectors stand a good chance of supplying equipment and services to such projects. Stronger efforts at marketing

ployment, a rising number of severance ents associated with corporate down- and, perhaps most importantly, the ing share of labour in national income bined with a rising rate of return on cap- l. Of course, there is always the risk the economy now recovering, some feel less pressure for the need to e their operations. In any case, avail- nce provides a convincing argument ate restructuring in Japan is omentum.

ucturing of corporate Japan may , there is a divergence across ctors of the economy. Compared riented and high-tech manu- irms, restructuring is occurring more in the financial sector and non- uring, domestically-focused indus- here labour usage is much higher lative to capital (e.g., retail, wholesale, construction, transportation, energy, health care). Recent data also show capital spending is starting to grow more rapidly among the manufacturing and high-tech sectors of the economy. For most of the economy, the past couple of years have seen a rising share of capital spending targeted toward information technology goods – the type of productivity-boosting spending that allows for workforce reductions.

Restructuring boosted by the "new economy"

Japan is seeing a number of changes as the manufacturing-based economy (steel, shipbuilding, electronics, automobiles) gives way to the high-tech one. Investment in traditional manufacturing declined throughout 1999, whereas capital spending in the information technology and related high-tech industries experienced robust growth. Japanese IT investment amounted to 3.5 per cent of GDP in the first quarter of 2000, up from 2.5 per cent in 1995. Increased sales of computers, semiconductors, cell phones and other communications equipment are behind the recent surge in machinery orders. Sales of some of these high-tech goods have tripled from levels a year ago.

Already, the IT sector is creating many jobs and raising average salaries. This "new economy" shift is expected to make an increasingly larger contribution to overall economic growth over the next several years. As corporate restructuring and downsizing leads to increased lay-offs, expansion of the high-tech sector is expected to absorb these workers. A recent government study estimates that 4 million new positions will be created over the next several years, most of these coming from the expanding IT sector. At the same time, corporate restructuring and increased use of productivity-enhancing IT will mean the loss of some 3 million jobs for an overall gain of around 1 million jobs.

Rising IT investment is expected to increase Japanese business productivity and help close the technological gap with the United States. To be sure, Japanese labour productivity has been recovering since mid-1998 and is now close to an all-time high – a good

Canadian products to these firms help raise the profile of Canadian expertise and may lead to more participation by Canada in projects around the globe.

Canada-Japan investment

Exports and imports are not the only facet of Canada and Japan's trade relations. Beyond the exchange of goods and services, both countries share a significant foreign direct investment (FDI) history.

Japan's global investment levels have dramatically increased almost 200 per cent over the last two years as the country's economy has strengthened. Securing sources for raw materials and technologies to fuel Japan's industries, especially in the food and electrical sectors, has led this growth.

Canada manages to attract only two per cent of Japan's total FDI. Yet this small percentage in total dollar terms is sufficient enough to qualify Japan as Canada's third largest investor. In 1999, $6.4 billion flowed into Canada from Japanese investors. With a cost-competitive advantage over the United States, Canada could be attracting a larger share of Japanese FDI given better efforts at promoting our strengths to Japanese industry.

Areas such as food processing, pulp and paper, mineral resources, and health care technologies are good candidates for Japanese investment. Surprisingly, despite the stereotype of the technologically advanced Japanese, information technology could also have potential. The explosive growth in e-commerce within Japan should reach $400 billion in three years (currently at less than $1 billion). Canada's strengths in CGI, encryption technologies and B2B/B2C e-commerce can attract Japanese R&D and investment.

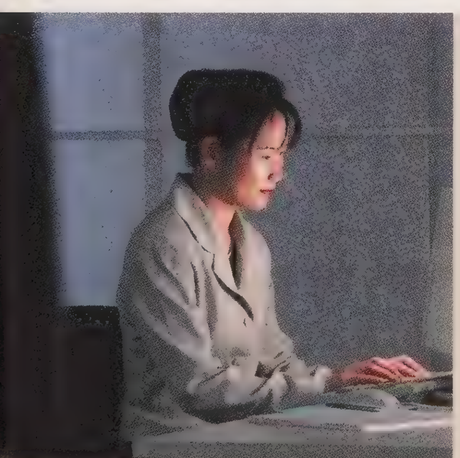
The Canada-Japan investment relationship is not one-sided. Canada's annual direct investment into Japan now totals $4.1 billion. Last year's near $1 billion acquisition of Daihyaku Insurance by Manulife Financial is the largest single Canadian investment in Japan to date.

Japan boasts a liberalized regulatory environment and low risk of expropriation. The Japanese government is trying to encourage more investors to enter the market. Realistically though, the long-standing close relations between Japanese companies, closed distribution networks, high costs to entry and similar structural roadblocks all pose serious challenges for would-be investors. This is reflected in Japan having the smallest percentage of inward investment to GDP of the main OECD countries. Yet even these impediments can be overcome by investors willing to spend the effort necessary to break into the Japanese marketplace.

Whether you're a Canadian company looking to export to Japan, or a Japanese company looking for Canadian sources for goods and services, the Canada-Japan trading relationship offers exceptional potential, and the time is now.

(Editor's note: Excellent information resources are available for Canada-Japan trade and investment. See page 24.)

Mark Bolger is regional manager for Japan on EDC's International Market's Team. He can be reached by e-mail at mbolger@edc-see.ca.



indication that investment in high-tech equipment may be starting to pay off. Studies suggest that IT investment accounted for around two-thirds of the increase in U.S. productivity growth in the second half of the 1990s – a feat that policy makers in Japan hope to replicate. Japanese authorities have introduced a number of new policies to promote the use of information technology. The recently announced fiscal stimulus package will also have a large component focusing on the IT sector, such as more computers for schools and increased spending on communications infrastructure.

Despite the greater role that IT is now playing in the Japanese economy, there is no guarantee that Japan will experience an IT-led productivity boom as in the United States. Although expanding, the high-tech sector in Japan is still relatively small (about half the size of that in the United States relative to overall GDP) and government and business in Japan still face many challenges on the road to reform. An inflexible labour force makes it harder for companies to restructure and adopt new labour-saving technology. Japan's venture capital market, while growing, is still very small compared to the United States. Venture capital has been critical in financing innovation and new investment in technology in the United States Japan's financial sector is also dominated by conservative institutions less willing to lend to risky technology ventures and small companies.

Regulatory constraints are a problem as well. Government regulations make many new technologies more costly in Japan relative to other OECD countries. NTT's near monopoly of the country's telecommunications system has inflated prices for telecom and internet services. Nevertheless, the government has taken steps to liberalize telecom services and has announced plans to further reduce its ownership of NTT (currently about 60 per cent). Tax and financial sector reform would also go a long way. Japan's legal code has not seen any significant changes since 1947 and current laws make it very difficult for companies to sell-off or restructure inefficient divisions. It appears the government may soon introduce new tax laws to make it easier for firms to rationalize their operations.

Most corporations and government authorities recognize the importance of corporate restructuring for the economy's long-term health. Rising investment in IT and a robust high-tech industry should make the transition an easier one.

Todd Evans is an economist with EDC, covering the Japanese economy and global information technology markets. He can be reached at tevans@edc-see.ca.

REACHING FOR THE SKY

[illegible] Sky High Entertainment [illegible]hes feature-length film in Japan

[illegible]nda Brown

For movie-maker Carl Samson, it's all about the perfect unity between the thrill and excitement of 3-D together with the human drama of more traditional feature-[illegible].

[illegible]bout a boy, his dream of flying and [illegible]hat believes in him. In the end, the [illegible] and machine come together in a [illegible] ever after" ending that's typical of [illegible] fairy tales.

[illegible] Samson and his three-year old [illegible]mpany, Sky High Entertainment, this [illegible]ents a fairy tale beginning. Released [illegible] rave reviews at Le Theatre IMAC in his [illegible] town of Quebec City last February, [illegible]nson's first feature-length film "Ultimate [illegible] Zac's Flying Dream" is now enter-[illegible] audiences throughout Europe, Japan, [illegible] the United States and Australia.

[illegible] wanted to explore a portion of the [illegible] format film industry which had been [illegible]cted in the past," Samson says. "Zac's [illegible] Dream is the first live action, large [illegible] D movie of its kind in the world. [illegible] the most incredible aerobatic [illegible] captured on film. We're talking [illegible]ts, formation and aerobatic flying. [illegible] power of 3-D, it's like you are [illegible].

[illegible] now working on two other [illegible] keeping silent about the details, [illegible]hat audiences can expect the same [illegible].

[illegible]lits EDC's insurance with helping [illegible] his dream come true. "In the enter-[illegible]nt business exposure is key and, [illegible] have a well-established reputa-[illegible] the money to market properly is not always easy," says Samson. "Without EDC's backing, I don't believe we would have secured the necessary financing from the bank."

Marketing to so many different countries is also a challenge because techniques that work in one country do not necessarily work in another.

This is particularly true in Japan, where the culture is different and movie venues are usually in museums.

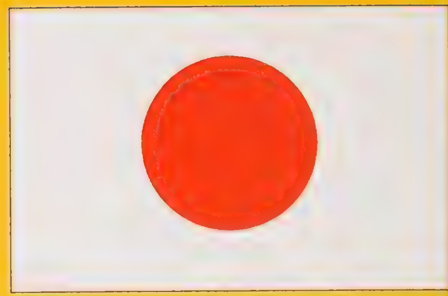
"We learned that the educational component of movies has to be very strong to appeal to this audience. As well, to attract movie goers, our Japanese distributor hired the country's best known actor and singer to be the voice for our main character. We even featured his picture on our posters," Samson says.

"Flying is magical, and this film brings that magic to life," Samson concludes. "It has a little something for everyone — romance, action, suspense and, best of all, with the power of 3-D, it puts you in the pilot's seat — a dream I think most of us share with Zac."

Intrigued? Grab a sneak preview of Ultimate G's at Sky High's Web site: www.shemovie.com.

PROFILE

Business: live action, large format 3-D films
Established: 1997
Number of employees: 5
Export Business: 90%
Export markets: United States, Europe, Japan, Asia, Australia
EDC relationship: accounts receivable insurance
Contact: www.shemovie.com



JAPAN AT A GLANCE

Population: 126.7 million
GDP per capita: US$36,700
GDP growth: 1.5%
Inflation: -0.5%
Canadian exports to Japan: $9.0 billion
Canadian imports from Japan: $16.5 billion
Canada's market share: 2.5%
Current account balance: US$135 billion

EDC's position:
Short-term – Good experience.
Medium/long-term – Good experience. Open.

Canadian opportunities:
Agri-food and fisheries products, building products and housing, consumer products (furnishings, giftwares and sporting goods), health care/medical devices, information technologies, telecommunications, environmental technologies and tourism.

Capital: Tokyo
Language: Japanese
Time difference: EST + 14 hours
Currency: Yen
Business hours: Monday-Friday 9:00 a.m.-5:00 p.m.

Who to contact:

Canadian Embassy in Japan
Brian Parrott
Counsellor (Commercial)
Tel.: (011-81-3) 5412-6321
Fax: (011-81-3) 5412-6247
E-mail: tokyo-td@dfait-maeci.gc.ca

DFAIT
David McKinnon
Deputy Director - Japan (Trade)
Tel.: (613) 996-2458
Fax: (613) 944-2397
E-mail: david.mckinnon@dfait-maeci.gc.ca
Internet: www.dfait-maeci.gc.ca

EDC
Contact the EDC regional office nearest you (see listing, inside back cover) or EDC's Regional Manager Asia, Africa & Middle East, Mark Bolger, (613) 598-2508 or e-mail at mbolger@edc-see.ca.

TRAVEL AND TRADE TIPS: JAPAN

Before boarding the plane to do business in Japan (featured on page 16), you may want to consider the following travel and trade tips.

Japan is a country which combines sophisticated and high-tech business skills with centuries-old traditions. Knowledge of these practices will not only assist a Canadian business person in adjusting to a different business environment, but will also assist Japanese partners in understanding you and your company's commitment to the Japanese market. The following is some basic advice.

Forms of address

Avoid first names in a business setting. "San" is the equivalent of Mr. or Ms. in Japanese and should be used directly after a surname when addressing or referring to a Japanese person (for example, Tanaka-san).

Regardless of setting, it is important to pay respect to age, seniority and position.

Meetings

Punctuality is a must in Japan.

All appointments should be arranged with companies prior to your arrival in Japan. Whenever possible, arrange meetings through referrals.

When requesting a meeting, it should be with someone at equivalent seniority/position as yourself. Clearly communicate your place in the organizational structure of your company.

Offer your business card with respect. If possible, business cards should be printed in English on one side and in Japanese on the other. Your card should be offered to the person you are meeting with the Japanese-side up and facing towards them. With a smile and a slight bow, pronounce your name and company slowly and clearly as you hand your card over.

Receive business cards with respect. It is polite to receive a business card with both hands and then take time to examine it. In order to remember names, it is acceptable to place cards on the table in front of you. However, do not write on the cards in the presence of the other person. At the end of the meeting, carefully put the cards away. Don't toss them in your bag or put them in your back pocket!

Wait to be seated since a structured seating arrangement is commonly used in business meetings.

Start meetings off with "small talk". The Japanese equate being indirect with being polite, thus "small talk" will help get meetings off to a good start.

Overcome ambiguity with a clear follow-up memo. Japanese people try hard to avoid open conflict and as a result may answer ambiguously or even agree to an offer that they have no intention of accepting. A memo outlining expectations will test the Japanese side's position on the issue, as they will be forced to respond.

Do not expect an immediate reaction to your proposal. It will take time for the Japanese to assess your company and consider the proposal internally, before reaching a consensus.

Gifts

Gift-giving rarely occurs amongst business people, except during the New Year's celebration. Although not expected, good quality, well-wrapped Canadian souvenirs are appreciated by the Japanese.

Negotiating international deals

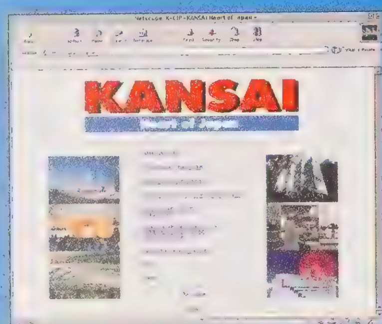
Going Global? Power Tools for Negotiating International Business Deals is a recently published book rapidly gathering followers. James Klotz, a Toronto lawyer specializing in international trade law, has written what is considered to be an indispensable reference to respond to the most frequently asked questions on the complexities and risks of negotiating international deals. The format is easy to follow, while the checklists offer a valuable recap of key issues. The book is available from www.amazon.com or by contacting Global Business Press at (416) 539-0895.

INTER.NET.WORKING

The Web sites highlighted below feature information to complement our geographic article on Japan (see page 16).

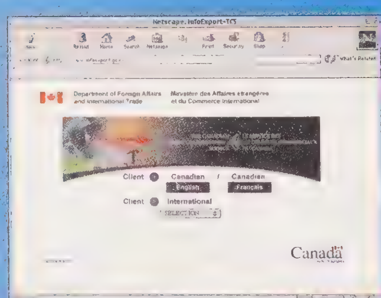
Japan External Trade Organization – www.jetro.go.jp

Also known as JETRO, the Japan External Trade Organization's Web site is host to volumes of information on Japanese government import regulations, trade shows, forums, economic data, research and networking opportunities. There are links to other key sites dealing with trade in Japan. JETRO was originally established by the Japanese government in the 1950s, and has since evolved into a highly valued organization with a mission to promote imports into Japan and to develop business linkages between foreign suppliers and Japanese businesses.



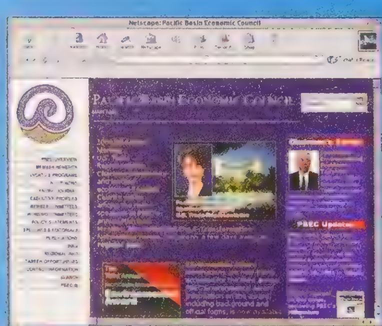
Kansai Council of Investment Promotion – japan.k-cip.org

This Web site offers extensive business listings and information for any company interested in trading with Japanese companies in the Kansai district. The Kansai Council of Investment Promotion, or K-CIP, also promotes foreign investment with Japan focussing on a variety of industrial sectors. Additional information on the Kansai area can also be accessed on the Web site of the Kansai International Public Relations Promotions Office (www.kippo.or.jp).



Department of Foreign Affairs and International Trade – www.infoexport.gc.ca

In-depth sector studies and profiles of relevant aspects of Canada-Japan trade can be found through the Market Research Centre of the Department of Foreign Affairs and International Trade's Web site. Optional access is also available via FaxLink Domestic service at 613-944-4500.



Pacific Basin Economic Council – www.pbec.org

This comprehensive Web site is the central resource for information on Pacific Basin Economic Council (PBEC) events and programs, speeches, policy documents and matters related to business in the Pacific Rim. Link directly to PBEC's over 1,100 member companies, as well as other regional and international organizations involved in Pacific Rim Trade. Of particular note, PBEC's next International General Meeting will be held in Japan from April 6-10, 2001.

EDC TOOLKIT

→ EDC offers a wide range of financial products to Canadian companies and their customers abroad. The following is a summary of these products.

→ CREDIT INSURANCE

Global Comprehensive Insurance (GCI) – protects domestic and/or export accounts receivable against risk from certain events including: default, buyer bankruptcy, repudiation, non-transferability of funds, termination/cancellation of contract, or political disturbances; improves exporter's ability to secure working capital financing from bank.

Export Credit Insurance (ECI) – same as Global Comprehensive except for small businesses.

Documentary Credit Insurance (DCI) – protects Canadian banks against risk of non-payment by foreign banks.

Specific Transaction Insurance (STI) – coverage against contract frustration and non-payment risks for same events as GCI but coverage is limited to one specific contract (cover also available for pre-receivable period, service contracts as well as film and television rights).

Sub-supplier domestic and foreign risks – covers sub-suppliers against contract frustration and non-payment risks.

Equipment (political risk insurance) – protects Canadian exporter's equipment at a job site against loss resulting from certain political risks.

→ FINANCING

Direct loan – EDC lends money to foreign corporations and government entities to enable them to buy goods and services from Canadian exporters.

Line of Credit – EDC lends money to a foreign bank that in turn lends to buyers of Canadian goods and services. Provides fast and simple financing for small transactions. (See pages 26-27.)

Note Purchase – EDC purchases promissory notes on a non-recourse basis issued by the buyer to the exporter.

Purchase of receivables – EDC purchases exporter's receivables at a certain fixed discount.

CIBC Grow Export – EDC guarantees 50 per cent of loans made by CIBC to small, knowledge-based companies with specific export contracts.

Leasing – EDC often participates as a debt provider to the lessor.

Equity – assists Canadian companies in securing export opportunities through the provision of medium-term investment capital.

Project finance – used for large infrastructure projects as well as other large projects for which direct guarantee of project sponsor is not available.

Master Accounts Receivable Guarantee (MARG) – allows banks to provide operating lines secured by exporter's foreign accounts receivable.

Small Exporter Guarantee Framework – provides guarantees to Canadian banks for loans made to foreign governments and banks; increases financing options available to Canadian small business exporters by risk-sharing with banks.

Northstar Trade Finance – a public-private sector partnership providing fast and efficient buyer financing for smaller capital goods export transactions.

→ CONTRACT BONDING

Bid Security Guarantee (BSG) – protects banks from any wrongful calls on bank bid letters of guarantee.

Performance Security Guarantee (PSG) – protects banks from any calls on bank performance letter guarantees.

Bid Security Insurance (BSI) – protects exporter from wrongful calls and justified buyer-induced rightful calls on bank guarantees if caused by events beyond the exporter's control.

Performance Security Insurance – protects exporter from wrongful calls and justified buyer-induced rightful calls on bank guarantees if caused by events beyond the exporter's control.

Surety Bond Reinsurance – indemnifies surety company for an agreed share of contract surety bond liability, should a claim payment be made due to exporter contract performance default.

Direct Surety Bond Support – by providing 100 per cent indemnity reinsurance coverage to fronting surety, EDC assumes full liability for contract surety bond issued to buyer as security against exporter contract performance default.

Political Risk Insurance (PRI) – protects Canadian investors against political risks on projects of benefit to Canada.

CLAIMS PAID

January 1, 2000 – October 31, 2000

Companies	Claims	Cdn $ Total
569	1,218	$65,934,399

Export Markets	Count
Africa & Middle East	12
Asia & Pacific	26
Europe	89
South America	30
U.S.A. & Caribbean	1,061

Risks	
Default	913
Insolvency	278
Call of Bond	9
Repudiation	15
Political and Transfer	0
Termination of Contract	2
Import Permits	1

Payments	
Under $5,000	515
Between $5,001 and $100,000	595
Between $100,001 and $1 million	100
Over $1 million	8

[illegible]INES OF CREDIT

[illegible]DC offers many forms of [illegible]rt financing to facili[illegible] the purchase of [illegible]goods and services by [illegible] export markets.

[illegible] facilities fall into two [illegible]tegories: supplier credit [illegible]nd buyer credit financing. [illegible]xample of supplier credit [illegible]g is a note purchase agree[illegible]nder such an agreement, [illegible]rchases from an exporter [illegible]s of promissory notes issued [illegible]n buyer to the exporter [illegible]ale of goods or services. [illegible]r credit financing includes [illegible]ns and lines of credit. [illegible]ans are a financing [illegible]nent between EDC and a [illegible] borrower on behalf of [illegible] for a predetermined trans[illegible] usually involve large [illegible]ns with long repayment [illegible]

[illegible]f credit are a streamlined [illegible] of financing in which EDC [illegible] money to a foreign bank, [illegible] or buyer, which then [illegible]ls the necessary funds to [illegible]eign buyers of Canadian goods [illegible] services. Interest rates, [illegible]ayment terms and other details [illegible] prearranged between EDC and the foreign borrower, which speeds up turnaround time. Transactions supported under lines of credit are usually valued at between US$50,000 and US$5 million. EDC currently has 53 lines of credit, providing one form of access to export financing for buyers in some 27 countries.

Listed below are the details and contacts for the lines of credit which exporters have found most useful.

It is important to note that:

- → **EDC's financing and insurance services extend beyond countries in which EDC has established lines of credit.**
- → **These lines of credit are one of several ways in which EDC will do business in these markets.**
- → **If you are thinking about exporting but have never used one of EDC's lines of credit, it is wise to contact EDC as early as possible.**

For more information on how EDC export financing can help you close a deal abroad, contact the regional office nearest you by calling 1-888-332-3777.

[illegible]tegories: Overseas Area Code = 011 / 1 – Borrower / 2 – [illegible]ng amount /3 – Repayment terms / 4 – Buyers' contact with [illegible] /5 – Borrowers' contact in North America

[illegible]nes of Credit

[illegible]xico, Central & South America

[illegible]dean Pact – Bolivia, Colombia, [illegible] Peru and Venezuela

[illegible]oración Andina de Fomento (CAF)

[illegible]

Mr. Germán Jaramillo (Peru)
Tel.: 511-221-3566
Fax: 511-221-0968
gjaramil@caf.com

Mr. Carlos Romero (Venezuela)
Public Sector
Tel.: 582-209-2183
Fax: 582-209-2463
cromero@caf.com

Ms. Blanca Alarcón, Private Sector
Tel.: 582-209-2379
Fax: 582-209-2433
balarcon@caf.com

Argentina

1) **Banco Francés**
2) US$10 million
3) 2, 3, 5 or 7 years
4) Mr Raul Genou, Regional Manager
North America and Asia Pacific
Tel.: 5411-4346-4326/4000 (ext. 1893)
Fax: 5411-4346-4337

1) **Pan American Energy (Argentina Branch)**
2) US$50 million
3) 3 to 8.5 years
4) Mr. Juan Carlos Scaglia
Tel.: 5411-4310-4337
Fax: 5411-4310-4367
jscaglia@pan-energy.com

1) **Telecom Argentina STET-France Telecom S.A.**
2) US$72.1 million
3) 3 to 8.5 years
4) Mr. Ricardo Lospinnato, Manager
Financial Operations
tsilveyr@ta.telecom.com.ar
Ms. Carolina Campos, Financial Operations
Tel.: 5411-4968-3917
Fax: 5411-4312-9472
ccampo1@ta.telecom.com.ca

1) **Telefónica de Argentina S.A.**
2) US$100 million
3) 3 to 8.5 years
4) Mr. Juán López Basilvaso
Director of Finance
Ms. Antonieta Martino/
Mr. Raul H. Rolandi, Finance
Tel.: 5411-4325-0190
Fax: 5411-4325-1920
rolandir@telefonica.com.ar

1) **Total Austral S.A.**
2) US$50 million
3) 2 to 8.5 years
4) Mr. Alain Petitjean, Financial Controller
Tel.: 5411-4346-6621
Fax: 5411-4346-6697
alain.petitjean@total.com
5) Mr. Carlos A. Coccioli, Treasurer
Tel.: 5411-4346-6623
Fax: 5411-4346-6697
carlos.coccioli@total.com

1) **Transportadora de Gas del Norte S.A.**
2) US$5 million
3) 2 to 5 years
4) Mr. Orlando Paolini
Tel.: 5411-4959-2167
Ms. Dora Zapolski
Tel.: 5411-4959-2002
Fax: 5411-4959-2110

1) **YPF, S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Enrique Waterhouse/
Ms. Dora E. Acosta Vásquez
Tel.: 5411-4329-5685
Fax: 5411-4329-5838
ewaterho@email.ypf.com.ar

Argentina, Brazil, Colombia and Uruguay

1) **BankBoston**
2) US$25 million
3) 2 to 8 years
4) Mr. Julio Laffaye, Trade Finance Manager
International Services (Argentina)
Tel.: 5411-4346-2112
Fax: 5411-4346-3209/343-7303

Mr. Sergio Schirato (São Paulo)
Tel.: 5-511-3881-6415
Fax: 5-511-3881-6430

Mr. Miguel de Pombo (Bogotá)
Tel.: 571-313-2255/3455
Fax: 571-313-3536

Mr. José Baniela (Montevideo)
Tel.: 598-296-0127
Fax: 598-296-2209

5) Mr. David Ames, Assistant Vice-President
International Corporate Finance
Tel.: 617-434-5178
Fax: 617-434-1188

Brazil

1) **Banco do Brasil**
2) US$25 million
3) up to 5 years
4) Mrs. Rosana Porto Feirosa
Tel.: 55-11-3066-9021
Fax: 55-11-3066-9029

1) **Petrobrás**
2) US$15 million
3) up to 5 years
4) Mr. Hernani Fortuna
Head, Investment Finance
Tel.: 5-521-534-1450
Fax: 5-521-534-4278

1) **Unibanco – União de Bancos Brasileiros**
2) US$15 million
3) 2, 3, 4 or 5 years
4) Ms. Silvia Nucci
Manager International Relations/
Ms. Patricia Urbano
Manager, Corresponding Banking
Tel.: 5-511-867-1684/4321/1900
Fax: 5-511-815-4484/814-0528/867-1689
5) Mr. Durval Araujo (New York)
Tel.: 212-207-9426
Fax: 212-754-4872

Mr. Marcos Pereira (Miami)
Tel.: 305-372-0100
Fax: 305-350-5622

Colombia

1) **Banco Cafetero**
2) US$10 million
3) up to 8.5 years
4) Mr. Luis Hernando Manrique
Head Special Lines Department
Tel.: 571-341-1511 (ext. 3700)
Fax: 571-284-2097/286-8893

1) **Cementos del Caribe**
2) US$5 million
3) up to 5 years
4) Mr. Ernesto Ritzel, Treasurer
Tel.: 575-355-6069
Fax: 575-355-9829
eritzel@caribe.com.co

Chile

1) **Codelco**
2) US$70 million
3) 5 years
4) Mr. José Antonio Alvarez
Vice President Finance
Tel.: 562-690-3648
Fax: 562-690-3669

Honduras, Costa Rica, El Salvador, Guatemala and Nicaragua

1) **Central American Bank for Economic Integration (CABEI)***
2) US$20 million
3) 5 years
4) Mr. Carlos Mairena (cmairena@bcie.hn)
Mr. Oscar Borjas (oborjas@bcie.hn)
(Tegucigalpa, Honduras, Headquarters)
Tel.: 504-228-2182/2134
Fax: 504-228-2135

Lic. Ronald Martínez Saborío
Mr. Dennis Sánchez Acuña (Costa Rica)
Tel.: 506-253-9394
Fax: 506-253-2161
dsanchez@bcie.org

Mr. Roberto Pereira
(El Salvador)
Tel.: 503-260-3335
Fax: 503-260-3276
framirez@bciesv.bcie.hn

Lic. Luis Fernando Andrade (Guatemala)
Tel.: 502-332-6428
Fax: 502-331-1457
jmdiaz@bciegt.bcie.hn

Ing. Roger Arteaga Cano (Nicaragua)
Tel.: 505-266-4120 to 4123
Fax: 505-266-4143/4125
mbuitrag@bcie.org

* CABEI is closed to new projects in the public sector/Government of Nicaragua.

Mexico

1) **Banca Serfin, S.A.**
2) US$20 million
3) 5 years
4) Mr. José Carrassó Arnaiz
Vice-President, International Division
Tel.: 525-512-1009
Fax: 525-625-5613
5) Mrs. Paloma Healey
Tel.: 416-360-8900
Fax: 416-360-1760

1) **Bancomer, S.A.**
2) US$75 million
3) 5 to 8 years
4) Ms. Cecilia Sáenz y Sáenz
Vice-President, Import Financing
Tel.: 525-621-3861/3491
Fax: 525-621-4758

1) **Banco Nacional de Comercio Exterior, S.N.C. (Bancomext)**
2) US$125 million
3) 5 to 8 years
4) Ms. Rosa María Solís, Vice-President
International Banking, North America
Tel.: 525-481-6051
Fax: 525-481-6076/6077
5) Mr. Marco Espinosa
Trade Commissioner of Mexico (Toronto)
Tel.: 416-867-9292
Fax: 416-867-1847

1) **Banco Nacional de México, S.A. (Banamex)**
2) US$125 million
3) 5 to 10 years
4) Ms. Mariana Lerdo de Tejeda Sánchez
Comercio Exterior
Tel.: 525-720-7077
Fax: 525-720-7315
5) Mr. Joseph Clarke (New York Office)
Tel.: 212-303-1431
Fax: 212-303-1470
jclarke@banamex.com

1) **Banco Nacional de Obras y Servicios Públicos, S.N.C. (Banobras)**
2) US$20 million
3) 5 to 8 years
4) Lic. Abelardo Bravo Herrera, Gerente
Operaciones Bancarias Internacionales
Tel.: 525-723-6000
Fax: 525-723-6235

1) **Comisión Federal de Electricidad (CFE)**
2) US$50 million
3) 5 to 8 years
4) Mr. Ramón Benitez Galarza
Head, Credit Operations Department
Tel.: 525-705-0571/229-4502
Fax: 525-229-4703
rbg84069@cfe.gob.mx

1) **Hylsa, S.A. de C.V.**
2) US$20 million
3) 5 years
4) Mr. Manuel Moguel, Treasury
Tel.: 528-328-1220
Fax: 528-328-1885
mmoguel@hylsamex.com.mx

1) **Nacional Financiera, S.N.C. (Nafin)**
2) US$28 million
3) 5 to 8 years
4) Mr. Jorge Muñoz Cuevas
Manager Bilateral Financing
Tel.: 525-325-7022/7023
Fax: 525-325-6496

1) **Petroleos Mexicanos (Pemex)**
2) US$50 million
3) 3 to 10 years
4) Ing. Eduardo Ito
Deputy Manager, Trade Finance
Tel.: 525-250-6478
Fax: 525-254-1896
jenito@dcf.pemex.com
5) Mr. Alberto Hinojos, Vice President
Finance and Administration
Tel.: 713-430-3110
Fax: 713-430-3312
ahinojos@itsinc.com

1) **Teléfonos de México, S.A. de C.V. (Telmex)**
2) US$100 million
3) 3 to 7 years
4) Mr. Gustavo León Méndez, Treasury
Tel.: 525-222-1153/1154
Fax: 525-203-5972
glmendez@telmex.net

Peru

1) **Banco Wiese Ltdo.**
2) US$15 million
3) 2 to 5 years
4) Mr. Eduardo Lizarzaburu Cuba
Financing Intermediation Division
Tel.: 511-428-6000
Fax: 511-426-9414
elizarzaburu@wiese.com.pa
Mr. Javier Román
Tel.: 511-426-6231
Fax: 511-428-3163
jroman@wiese.com.pa

Trinidad & Tobago

1) **Central Bank of Trinidad & Tobago**
2) US$15 million
3) up to 8.5 years
4) Ms. Cara Mae Farmer
Manager, Banking Operations
Tel.: 868-625-4835/623-4715
Fax: 868-625-2468
cfarmer@central_bank.org.tt

Venezuela

1) **BARIVEN, S.A./Petróleos de Venezuela, S.A. (PDVSA)**
2) US$50 million
3) 2 to 8.5 years
4) Jesús Bello, Finance
Tel.: 582-201-4761
Fax: 582-201-4605
5) Mr. Philip Limon, Trade Financial Analyst
PDVSA Services, Inc. (Houston, Texas)
Tel.: 281-588-6406
Fax: 281-588-6287
lemonp@pdvsa.com
fnt1h@psi.pdv.com

Africa & Middle East

Algeria

1) **Banque Algérienne de Développement (BAD)**
2) US$100 million
3) 3 or 5 years
4) Mr. Saddek Alilat, Director
Tel.: 213-2-677-583/4/5
Fax: 213-2-674-241

1) **Sonatrach**
2) US$70 million
3) 3 or 5 years
4) Mr. K. Benaoude
Tel.: 213-2-69-3308
Fax: 213-2-60-5322

Egypt

1) **United Bank of Egypt**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Hassan Abdel Meguid
Deputy General Manager
Credit and Marketing Department
Tel.: 011-202-792-0146 to 0149
Fax: 011-202-792-0153

Israel

1) **Bank Hapoalim B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Yona Rosenberg
Foreign Trade Department
Tel.: 972-3-567-3424
Fax: 972-3-567-4548

1) **Bank Leumi Le-Israel B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Liorah Tidhar, First Vice-President
Trade & Project Finance
Tel.: 972-3-514-7373
Fax: 972-3-514-7865

1) **United Mizrahi Bank Limited**
2) US$10 million
3) 3, 5 or 7 years
4) Mr. Chana Chefer, Foreign Trade Department
Tel.: 972-3-567-9011
Fax: 972-3-567-9028

Lebanon

1) **Byblos Bank SAL**
2) US$10 million
3) up to 8.5 years
4) Mr. Laurent J. Hawath
Tel.: 961-335-200
Fax: 961-338-430
byblosbk@byblosbank.com.lb

1) **Credit Libanais SAL**
2) US$10 million
3) 3 to 8.5 years
4) Mr. George Khouri
Tel.: 961-158-2390
Fax: 961-160-2615

South Africa

1) **First National Bank of Southern Africa Limited/Rand Merchant Bank**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Willie Coetzee
International Project Finance
Tel.: 2711-282-8369
Fax: 2711-282-8318
willie-coetzee@rmb.co.za

1) **Industrial Development Corporation of South Africa/Impofin (Pty) Limited**
2) US$15 million
3) 3 to 8.5 years
4) Mr. Leon Potgieter, Deputy General Manager, Industrial Development Corporation of South Africa Ltd.
Tel.: 2711-269-3266
Fax: 2711-269-3121
leonp@idc.co.za

1) **Nedcor Bank Ltd.**
2) US$10 million
3) 3 to 8.5 years
4) Mr. David N. Fienberg, Head
International Finance Unit
Tel.: 2711-630-7444
Fax: 2711-630-7146

1) **The Standard Bank of South Africa Limited**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Gerald Nolan
Senior Manager, International Finance
Tel.: 2711-636-5062
Fax: 2711-636-3181
nolang@scmb.za

Tunisia

1) **Ministry of International Cooperation and Foreign Investment**
2) US equivalent of Cdn$100 million
3) up to 10 years
4) Mr. Abdelhamid Bouhawala
Tel.: 216-1-798-522
Fax: 216-1-799-069
bo@mci.gov.tn

West Bank and Gaza Strip

1) **Egyptian Arab Land Bank**
2) US$3 million
3) up to 5 years
4) Mr. Fouad Jabr, General Manager
Tel.: 972-2-298-5958
Fax: 972-2-298-5958

Europe

Estonia

1) **Hansa Leasing**
2) US$4 million
3) 5 years
4) Mr. Raul Rukis, Manager, Funding and Foreign Relations Department
Tel.: 372-6-131-805
Fax: 372-6-131-379
raul.rukis@hansa.ee

Turkey

1) **Turk Exim Bank**
2) US$50 million
3) 3 to 7 years
4) Mr. Ertan Tanriyakul
Assistant General Manager
Tel.: 90-312-425-6504
Fax: 90-312-425-2947
ogunduz@eximbank.gov.tr

Ukraine

1) **State Export Import Bank of Ukraine**
2) Cdn$20 million
3) 3 to 10 years
4) Ms. Tetyana M. Kutuzova
Head of Department
Tel.: 380-44-247-8925/26
Fax: 380-44-247-8928/8082
Telex: 131258 RICA

Asia & Pacific

China, People's Republic of

1) **Bank of China**
2) US$200 million or its equivalent in Cdn. or other acceptable foreign currencies
3) up to 10 years
4) Ms. Liu Huijun, Treasury Department
Tel.: 86-10-6601-6688 ext. 4104
Fax: 86-10-6601-4037

1) **Bank of Communications**
2) US$50 million
3) up to 10 years
4) Ms. Liu Ganghua, Credit Department
Tel.: 86-21-6275-1234 ext. 2343
Fax: 86-21-6275-1363

1) **China Construction Bank**
(previously People's Construction Bank of China)
2) US$100 million
3) up to 10 years
4) Mr. Yu Hui, Project Manager
Project Finance Division
Tel.: 86-10-6759-8555
Fax: 86-10-6759-8549

1) **Industrial and Commercial**
Bank of China
2) US$25 million
3) up to 10 years
4) Ms. Qin Lei, International Finance Division, International Department
Tel.: 86-10-6610-6022
Fax: 86-10-6610-6038

Indonesia

1) **P.T. Indah Kiat Pulp & Paper Corp.**
2) US$25 million
3) 3 to 10 years
4) Mr. Paulus Lucas
Assistant Manager, Finance
Tel.: 62-21-392-9266
Fax: 62-21-392-6179
paulus_lg@app.co.id

1) **P.T. Pabrik Kertas Tjiwi Kimia**
2) US$10 million
3) 3 to 10 years
4) Mr. Paulus Lucas
Assistant Manager, Finance
Tel.: 62-21-392-9266
Fax: 62-21-392-6179
paulus_lg@app.co.id

1) **P.T. Lontar Papyrus Pulp & Paper Industry**
2) US$20 million
3) 3 to 10 years
4) Mr. Paulus Lucas
Assistant Manager, Finance
Tel.: 62-21-392-9266
Fax: 62-21-392-6179
paulus_lg@app.co.id

Sri Lanka

1) **Private Sector Infrastructure Development Company Limited**
2) US$25 million
3) up to 10 years
4) Mr. Leel Wickremarachchi
General Manager/CEO
Tel.: 941-346-385
Fax: 941-346-383
leel@psidc.com

COMMODITY PRICES IN A HIGH-TECH WORLD

The global high-tech economy is growing faster than the traditional economy, with important implications for the resource sector.

by Stephen S. Poloz

The global high-tech economy is booming. From a business perspective, the cost of buying technology – hardware, software and the associated services – has declined dramatically relative to the cost of labour in the last 10 years. This means that every company in the world is investing at a higher rate, in order to reduce labour inputs and boost productivity. Meanwhile, households are getting into the act, too, purchasing internet services and innovative telecommunications services that did not even exist five years ago.

All of this high-tech spending boosts economic growth, and the new economy is growing much more quickly than the old as a result. This means that more and more of the economic growth that we experience is made up of intangibles, rather than hard goods that we can hold in our hands. This is not a new phenomenon. It can be traced back to the beginning of economic history. Each new step forward in technology has allowed society to produce more goods with fewer inputs, leaving the extra growth to fall into the service sector. *(Editor's note: also see [illegible] sector, page 8.)*

One implication of the growth in the new economy is that the relative price of commodities – mainly minerals, forestry products and oil – has been falling steadily, for at least [illegible] years. There have been short cycles around that trend, of course, correlated with cycles in global demand for commodities. When the world economy is strong, commodity prices move above trend, and when the world economy is weak, prices go below trend, but the trend has been steadily downward.

The current global business cycle is no exception. Evidence is emerging now that the world economy has peaked in terms of growth. The U.S. economy has begun to moderate, and Asia is fully recovered and settling into a stable growth pattern. Europe is strong, and will probably moderate slightly from here. The only places left to pick up are Latin America and Africa, and those economies represent too small a fraction of the world to be trend-setters. This year, world economic growth will exceed four per cent, which is very strong. Some moderation to around four per cent is projected for next year. A steeper slowdown would result if oil prices were to remain high, but our baseline forecast calls for a gradual decline in prices into the mid-US$20 range in 2001.

Consistent with this moderating pattern for world economic growth, non-energy commodity prices have already begun to soften. If the world economy moderates further in the next six to 12 months, as we expect, then commodity prices will drift lower as well. What is noteworthy about this development is that the peak in commodity prices that just occured is well below the preceding one, in 1995. While this fits generally into the 200-year declining trend for commodity prices, the 1999-2000 peak has proven to be surprisingly low. This probably reflects the fact that the new economy has surged in the last two or three years, much faster than the old economy.

This development is probably playing a role in the Canadian dollar's failure to break higher in the last six months, despite very strong economic growth. In global financial markets, Canada continues to be classified as a traditional economy, albeit less so than Australia, whose currency has been hit much harder. Yet, Canada's high-tech economy and exports are growing very rapidly, suggesting that this perception should be overcome, in time.

The traditional economy is here to stay. The long-term process of economic convergence between richer and poorer countries means that there is an enormous untapped demand for hard goods that will unfold over time. Nevertheless, the tendency for the prices of raw materials to decline relative to other prices is likely to remain intact, making it absolutely essential that companies in that sector continue to pursue productivity-enhancing strategies.

Stephen Poloz is EDC's Chief Economist. He can be reached at spoloz@edc-see.ca.

2141

CONTACTS

EDC SEE

Head Office
151 O'Connor
Ottawa, Canada
K1A 1K3

Tel.: (613) 598-2500
Fax: (613) 237-2690

www.edc.ca

Smaller exporters – companies with annual export sales of up to $1 million – can contact our team of specialists at
1-800-850-9626

If your export sales exceed $1 million annually, call any one of EDC's regional offices at
1-888-332-3777

Western Canada

Jim Christie
Regional Vice-President
jchristie@edc-see.ca

Vancouver Office
Suite 1030, One Bentall Centre
505 Burrard Street
Box 58
Vancouver, B.C. V7X 1M5
Tel.: (604) 638-6950
Fax: (604) 638-6955
Blair Wilson
Business Development Manager
bwilson@edc-see.ca

Winnipeg Office
Commodity Exchange Tower
Suite 2075
360 Main Street
Winnipeg, Manitoba R3C 3Z3
Tel.: (204) 975-5090
Fax: (204) 975-5094
Lewis Megaw
Business Development Manager
lmegaw@edc-see.ca

Calgary Office
Home Oil Tower
Suite 606
324-8th Avenue S.W.
Calgary, Alberta T2P 2Z2
Tel.: (403) 537-9800
Fax: (403) 537-9811
Bruce Stanton
Business Development Manager
bstanton@edc-see.ca

Edmonton Office
Suite 905
10010-106th Street
Edmonton, Alberta T5J 3L8
Tel.: (780) 702-5233
Fax: (780) 702-5235
Karen Goss
Business Development Manager
kgoss@edc-see.ca

Ontario

Ruth Fothergill
Regional Vice-President
rfothergill@edc-see.ca

Toronto Office
Suite 810
150 York Street
P.O. Box 810
Toronto, Ontario M5H 3S5
Tel.: (416) 640-7600
Fax: (416) 862-1267

Toronto Office (cont'd)
Laura Gainer
Business Development Manager
lgainer@edc-see.ca
David Little
Business Development Manager
dlittle@edc-see.ca

Ottawa Office
151 O'Connor Street
Ottawa, Ontario K1A 1K3
Tel.: (613) 597-8523
Fax: (613) 598-6858
Hal Miller
Business Development Manager
hmiller@edc-see.ca

London Office
Suite 1512
148 Fullarton Street
London, Ontario N6A 5P3
Tel.: (519) 963-5400
Fax: (519) 963-5407
Lillian Gagnon
Business Development Manager
lgagnon@edc-see.ca

Quebec & Atlantic Canada

Henri Souquières
Regional Vice-President
hsouquieres@edc-see.ca

Montreal Office
Suite 4520
800 Victoria Square
P.O. Box 124
Tour de la Bourse
Montreal, Quebec H4Z 1C3
Tel.: (514) 908-9200
Fax: (514) 878-9891
Françoise Faverjon-Fortin
Business Development Manager
ffaverjon-fortin@edc-see.ca

Halifax Office
Purdy's Wharf Tower II
Suite 1410
1969 Upper Water Street
Halifax, Nova Scotia B3J 3R7
Tel.: (902) 442-5205
Fax: (902) 442-5204
David Surrette
Director of Business Development, Atlantic Canada
dsurrette@edc-see.ca

Moncton Office
735 Main Street
Suite 400
Moncton, N.B. E1C 1E5
Tel.: (506) 851-6066
Fax: (506) 851-6406
Charles Gaudet
Business Development Manager
cgaudet@edc-see.ca

St. John's Office
90 O'Leary Avenue
St. John's, Nfld. A1B 2C7
Tel.: (709) 772-8808
Fax: (709) 772-8693
Darrell Spurrell
Business Development Manager
dspurrell@edc-see.ca

EDC Regional Representation

MEXICO
Calle Schiller 529
Rincón del Bosque
Colonia Polanco
México, D.F. 11560
MEXICO
Tel.: 011-525-387-9316
Fax: 011-525-387-9317
Marvin Hough
Regional Director for Mexico & Central America
mhough@edc-see.ca

BRAZIL & SOUTHERN CONE
Av. das Nações Unidas 12901
Cenu Torre Norte, Andar 16
CEP 04578-000, São Paulo – SP
BRAZIL
Tel.: 011-5511-5509-4321 ext. 3320
Fax: 011-5511-5509-4260
J. Claudio Escobar
Regional Director for Brazil & Southern Cone Countries
cescobar@edc-see.ca

CHINA
c/o Canadian Embassy
19 Dongzhimenwai Street
Chaoyang District
Beijing, 100600
China
Tel.: 86-10-6532-3536 ext. 3357
Fax: 86-10-6532-4072
Alison Nankivell
Regional Director for China
anankivell@edc-see.ca

Other organizations that help exporters

Alberta Opportunity Company
1-800-661-3811
www.aoc.gov.ab.ca

Canadian Manufacturers and Exporters
(613) 238-8888
(905) 568-8300
www.the-alliance.org

Atlantic Canada Opportunities Agency
1-800-561-7862
www.acoa.ca

BC Trade and Investment Office
Tel: (604)-844-1900
www.ei.gov.bc.ca

Business Development Bank of Canada
1-888-463-6232
www.bdc.ca

Canada-B.C. Business Service
1-800-667-2272
www.sb.gov.bc.ca

Canadian Commercial Corporation
1-800-748-8191
www.ccc.ca

Manitoba Trade & Investment Corp.
(204) 945-2466
www.gov.mb.ca

NorthStar Trade Finance
1-800-663-9288
www.northstar.ca

Ontario Exports Inc.
1-877-46TRADE (8-7233)
www.ontario-canada.com/export

Saskatchewan Trade & Export Partnership
(306) 787-9210
www.sasktrade.sk.ca

The Business Link
1-800-272-9675
www.cbsc.org/alberta

Trade Team Canada – Export Info
1-888-811-1119
www.exportsource.gc.ca

Trade Team P.E.I.
(902) 368-6300
www.peibusinessdevelopment.com

Western Economic Diversification
1-888-338-9378
www.wd.gc.ca

Canada